

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

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

31 DECEMBER 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 December 2023 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 and Note 7, to the interim condensed consolidated financial information which states that the Board of Directors considered and General Meeting of Shareholders of the Parent Company convened on 27 December 2022 have approved the sale of a substantial portion of the Group’s portfolio of aircrafts. In addition, subsequent to the period-end, the Parent Company has signed an amendment agreement with the Buyer relating to the remaining aircrafts fleet which is subject to the approval of the shareholders, the Kuwait Competition Protection Agency (Kuwait CPA) and the Federal Economic Competition Commission of Mexico (COFECE). 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 three months period ended 31 December 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 three months period ended 31 December 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

14 February 2024
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 December 2023

		31 December	<i>(Audited)</i> 30 September	31 December
	<i>Notes</i>	2023	2023	2022
		KD	KD	KD
ASSETS				
Aircraft, engines and equipment	5	342,615,626	348,065,676	349,036,751
Capital advances	6	-	34,996,316	71,780,070
Receivables and other assets		33,462,239	33,969,921	28,180,046
Cash and cash equivalents		29,788,729	13,105,157	32,043,358
		<u>405,866,594</u>	<u>430,137,070</u>	<u>481,040,225</u>
Assets held for sale	7	377,781,812	455,718,036	707,561,283
TOTAL ASSETS		<u>783,648,406</u>	<u>885,855,106</u>	<u>1,188,601,508</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	8	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		16,794,430	17,807,900	16,582,267
Retained earnings		56,498,243	60,433,519	62,233,951
TOTAL EQUITY		<u>215,902,193</u>	<u>220,850,939</u>	<u>221,425,738</u>
LIABILITIES				
Due to financial institutions		448,458,952	547,390,298	815,774,285
Security deposits		4,152,606	4,169,525	3,904,569
Maintenance reserve and provisions		32,845,410	32,356,235	48,815,730
Other liabilities		12,744,666	13,118,828	29,740,468
		<u>498,201,634</u>	<u>597,034,886</u>	<u>898,235,052</u>
Liabilities directly associated with assets classified as held for sale	7	69,544,579	67,969,281	68,940,718
TOTAL LIABILITIES		<u>567,746,213</u>	<u>665,004,167</u>	<u>967,175,770</u>
TOTAL EQUITY AND LIABILITIES		<u>783,648,406</u>	<u>885,855,106</u>	<u>1,188,601,508</u>



Sami Abdullatif AlNusif
Chairman of the Board



Abdullah Sulaiman AlHaddad
Vice Chairman of the Board

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 December 2023

	<i>Notes</i>	<i>Three months ended 31 December</i>	
		2023	2022
		KD	KD
Operating lease income	9	9,706,599	8,209,176
Murabaha income		289,085	-
(Loss) gain on disposal of aircraft, engines and equipment	5 & 7	(7,068,755)	726,956
Other income	10	4,357,091	8,777,199
Staff costs		(592,023)	(656,419)
Depreciation	5	(4,056,234)	(3,941,794)
Other operating expenses		(708,121)	(991,733)
Reversal of credit loss on receivables		1,621,398	-
Finance costs		(7,484,316)	(11,467,242)
(LOSS) PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)		(3,935,276)	656,143
Contribution to KFAS		-	(5,905)
(LOSS) PROFIT FOR THE PERIOD		(3,935,276)	650,238
Basic and diluted (loss) earnings per share	4	(4.13) fils	0.68 fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
 INCOME (UNAUDITED)**
 For the period ended 31 December 2023

	<i>Three months ended</i>	
	<i>31 December</i>	
	2023	2022
	KD	KD
(Loss) profit for the period	(3,935,276)	650,238
Other comprehensive loss:		
<i>Items that are not reclassified subsequently to interim condensed consolidated statement of income:</i>		
Foreign currency translation adjustment	(1,013,470)	(3,247,012)
Other comprehensive loss for the period	(1,013,470)	(3,247,012)
Total comprehensive loss for the period	(4,948,746)	(2,596,774)

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 December 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 2023	95,209,348	17,829,167	29,571,005	17,807,900	60,433,519	220,850,939
Loss for the period	-	-	-	-	(3,935,276)	(3,935,276)
Other comprehensive loss for the period	-	-	-	(1,013,470)	-	(1,013,470)
Total comprehensive loss for the period	-	-	-	(1,013,470)	(3,935,276)	(4,948,746)
Balance as at 31 December 2023	95,209,348	17,829,167	29,571,005	16,794,430	56,498,243	215,902,193
Balance as at 1 October 2022	95,209,348	17,829,167	29,571,005	19,829,279	61,583,713	224,022,512
Profit for the period	-	-	-	-	650,238	650,238
Other comprehensive loss for the period	-	-	-	(3,247,012)	-	(3,247,012)
Total comprehensive (loss) income for the period	-	-	-	(3,247,012)	650,238	(2,596,774)
Balance as at 31 December 2022	95,209,348	17,829,167	29,571,005	16,582,267	62,233,951	221,425,738

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

For the period ended 31 December 2023

	<i>Notes</i>	<i>Three months ended</i>	
		<i>2023</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
(Loss) profit for the period		(3,935,276)	650,238
Adjustments for:			
Depreciation	5	4,056,234	3,941,794
Murabaha income		(289,085)	-
Finance costs		7,484,316	11,467,242
Reversal of credit loss on receivables		(1,621,398)	-
Loss (gain) on disposal of aircraft, engines and equipment	5 & 7	7,068,755	(726,956)
		<u>12,763,546</u>	<u>15,332,318</u>
Changes in operating assets and liabilities:			
Receivables and other assets		2,430,351	(3,219,969)
Other liabilities		1,768,778	9,944,515
Maintenance reserve and provisions		3,423,921	(558,045)
		<u>20,386,596</u>	<u>21,498,819</u>
Cash from operations		(7,218,348)	(10,970,179)
Finance cost paid			
Net cash flows from operating activities		<u>13,168,248</u>	<u>10,528,640</u>
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment		-	(411,445)
Proceeds from disposal of aircraft, engines and equipment		65,791,020	3,933,595
Capital advances for purchase of aircraft, engines and equipment		-	(107,378)
Capital advances refunded by the manufacturer		34,854,309	-
Murabaha income received		253,601	-
		<u>100,898,930</u>	<u>3,414,772</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Financing facilities received		-	12,254,000
Financing facilities repaid		(97,262,346)	(18,807,333)
		<u>(97,262,346)</u>	<u>(6,553,333)</u>
Net cash flows used in financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>16,804,832</u>	<u>7,390,079</u>
Foreign currency translation adjustment		(121,260)	(459,876)
Cash and cash equivalents at 1 October		13,105,157	25,113,155
		<u>29,788,729</u>	<u>32,043,358</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			

The attached notes 1 to 17 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 December 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 three months period ended 31 December 2023 was authorised for issue in accordance with a resolution of the board of directors on 14 February 2024.

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 15:

- As disclosed in Note 7, 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). As of 31 December 2023, the Group has completed the sale of 29 aircrafts.
- The sale of 29 aircrafts has generated net cash proceeds of USD 241.55 million (approximately, KD 74.28 million) after settling secured financing facilities, of which KD 46,207,500 relates to the Bank and KD 148,038,232 relates to other financial institutions.
- The sale of the remaining 24 aircrafts is expected to generate net cash proceeds of USD 342.46 million (approximately, KD 105.06 million) after settling financing facilities, of which KD 20,629,734 relates to the Bank and KD 215,461,980 relates to other financial institutions.
- 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2023

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

- Subsequent to the reporting period, on 11 January 2024, the management of the Group has signed an amendment agreement with the Buyer relating to sale of remaining aircrafts fleet (23 aircrafts) to the Buyer. The execution of this amendment is subject to the approval of the shareholders at the General Assembly Meeting scheduled on 19 February 2024, the Kuwait Competition Protection Agency (Kuwait CPA) and the Federal Economic Competition Commission of Mexico (COFECE) (Note 17).
- The shareholders at the General Assembly Meeting scheduled on 19 February 2024, will decide on the future strategy of the Group after completion of the sale of all aircrafts.

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 three months period ended 31 December 2023 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2024. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2023.

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 2023, except for the adoption of new standards effective as of 1 October 2023.

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 2023, but do not have an impact on the interim condensed consolidated financial information of the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 December 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)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial information.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial information.

4 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 December</i>	
	<u>2023</u>	<u>2022</u>
(Loss) profit for the period (KD)	(3,935,276)	650,238
Weighted average number of ordinary shares	952,093,482	952,093,482
Basic and diluted (loss) earnings per share	<u>(4.13) fils</u>	<u>0.68 fils</u>

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings 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 December 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 2023	520,929,277	338,266	189,178	521,456,721
Foreign currency adjustment	(2,113,818)	(1,376)	(769)	(2,115,963)
At 31 December 2023	518,815,459	336,890	188,409	519,340,758
Depreciation and impairment				
At 1 October 2023	172,875,609	338,266	177,170	173,391,045
Depreciation charge for the period	4,054,787	46	1,401	4,056,234
Foreign currency adjustment	(720,044)	(1,422)	(681)	(722,147)
At 31 December 2023	176,210,352	336,890	177,890	176,725,132
Net carrying amount				
At 31 December 2023	342,605,107	-	10,519	342,615,626
At 30 September 2023 (Audited)	348,053,668	-	12,008	348,065,676
At 31 December 2022	349,019,746	149	16,856	349,036,751

Aircraft with carrying value of KD 323,328,286 (30 September 2023: KD 328,337,879 and 31 December 2022: KD 334,630,397) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

During the prior period ended 31 December 2022, the Group recognised gain of KD 726,956 from the sale of certain aircrafts.

6 CAPITAL ADVANCES

During the current period, on 14 November 2023, the Group has signed a termination agreement with the manufacturer relating to the existing order book, and accordingly, the capital advances amounting to KD 34,996,316 as of 30 September 2023 has been fully refunded during the current period.

7 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 31 December 2023

7 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 was expected to be completed within one year. Accordingly, management has re-classified the carrying value of the 53 aircrafts as of 1 October 2022 from "aircraft, engines and equipment" to "assets held for sale" and re-classified the related liabilities to "liabilities directly associated with assets classified as held for sale".

During the prior year, 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, and the related aircraft was sold during the prior year. 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 31 December 2023, in line with the approved sale and purchase agreement for the sale of aircrafts. 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) (Note 10).

Movement on assets held for sale during the period ended 31 December 2023 is as follows:

	<i>Assets held for sale KD</i>
As of 1 October 2023	455,718,036
Disposal during the year *	(76,087,019)
Foreign currency translation adjustment	(1,849,205)
	<hr/>
As of 31 December 2023	<u>377,781,812</u>

Movement on liabilities directly associated with assets classified as held for sale during the period ended 31 December 2023 is as follows:

	<i>Liabilities directly associated with assets classified as held for sale KD</i>
As of 1 October 2023	67,969,281
Cash collection of lease rent and maintenance reserve after ECD	7,427,411
Disposal during the period *	(5,576,308)
Foreign currency translation adjustment	(275,805)
	<hr/>
As of 31 December 2023	<u>69,544,579</u>

During the prior year, 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. Furthermore, on 22 September 2023, the Group has completed the sale of 1 additional aircraft.

* During the current period, in October 2023, the Group has completed the sale of 4 aircrafts, out of which 1 aircraft was sold by transferring the Group's shares in the SPCs which are holding those aircrafts to the Buyer and 3 aircrafts were sold by transferring the legal title in the aircraft to the Buyer. The Group recognised loss of KD 7,068,755 from the sale of these aircrafts. The total sale price with regards to sale of the remaining 24 aircrafts, is USD 1.23 billion (approximately, KD 377 million) as per the signed sale and purchase agreements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2023

7 NON-CURRENT ASSETS HELD FOR SALE (continued)

The execution of the sale of the remaining 24 aircrafts is expected to:

- Reduce the balance “due to financial institutions” from KD 448.46 million to KD 218.38 million within one year.
- Reduce the minimum lease rent receivable within 5 years from KD 569.73 million to KD 281.08 million (Note 9).

Assets held for sale with carrying value of KD 357,867,405 (30 September 2023: KD 436,427,758 and 31 December 2022: KD 677,059,295) are mortgaged against the financing facilities and registered in the name of the lenders.

8 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

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

The annual general assembly meeting (“AGM”) of the Parent Company for the year ended 30 September 2023 has not been held yet. Accordingly, the shareholders of the Parent Company have not yet approved the consolidated financial statements for the year ended 30 September 2023. The interim condensed consolidated financial information for the three-month period ended 31 December 2023 do not include any adjustments, which might have been required.

9 OPERATING LEASE INCOME

	<i>Three months ended</i>	
	<i>31 December</i>	
	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>
Lease rental income	9,706,599	8,314,830
Amortisation of lease incentive assets	-	(105,654)
Operating lease income	9,706,599	8,209,176

The future minimum lease rent receivable on the operating lease is KD 569,733,250 (30 September 2023: KD 643,172,875 and 31 December 2022: KD 832,023,891 and is receivable as follows:

	<i>31 December</i>	<i>(Audited)</i>	
		<i>30 September</i>	<i>31 December</i>
	<i>2023</i>	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Income receivable within one year	82,512,238	88,775,114	102,146,271
Income receivable within one year to five years	296,467,581	329,143,747	393,839,717
Income receivable after five years	190,753,431	225,254,014	336,037,903
	569,733,250	643,172,875	832,023,891

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

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9 OPERATING LEASE INCOME (continued)

The future minimum lease rent receivable on the operating lease after taking into account the events disclosed in Note 7 is KD 281,078,261 and is receivable as follows:

	<i>31 December 2023 KD</i>
Income receivable within one year	38,013,851
Income receivable within one year to five years	150,190,793
Income receivable after five years	92,873,617
	<u>281,078,261</u>

10 OTHER INCOME

	<i>Three months ended 31 December</i>	
	<u>2023</u>	<u>2022</u>
	<i>KD</i>	<i>KD</i>
Finance income *	4,215,830	7,180,394
Reversal of other provisions **	-	1,541,050
Other miscellaneous income	141,261	55,755
	<u>4,357,091</u>	<u>8,777,199</u>

* The finance income represents compensation from the Buyer, disclosed in Note 7, 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.

** Prior period balance 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.

11 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD Nil (30 September 2023: KD 701,861,120 and 31 December 2022: KD 697,987,840).

During the current period, on 14 November 2023, the Group has signed a termination agreement with the manufacturer relating to the existing order book, and fully refunded the existing capital advances during the current period (Note 6). Accordingly, the Group does not have any capital commitments as of 31 December 2023.

12 CONTINGENT LIABILITIES

As at 31 December 2023, the group has contingent liabilities amounting to KD Nil (30 September 2023: KD Nil and 31 December 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.

13 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

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13 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>31 December</i>	
	2023	2022
	KD	KD
Murabaha income		
- Bank	261,119	-
	261,119	-
Finance costs		
- Bank	1,244,526	2,079,038
	1,244,526	2,079,038
<i>Key management compensation:</i>		
Salaries and other short-term benefits	164,335	173,671
End of service benefits	52,283	42,218
	216,618	215,889

Interim condensed consolidated statement of financial position:

	Bank	Total
	KD	KD
31 December 2023		
Cash and cash equivalents	20,108,974	20,108,974
Receivables and other assets *	6,323	6,323
Due to financial institutions	78,320,409	78,320,409
Other liabilities**	524,918	524,918
30 September 2023 (Audited)		
Cash and cash equivalents	7,356,992	7,356,992
Due to financial institutions	79,891,118	79,891,118
Other liabilities**	535,236	535,236
31 December 2022		
Cash and cash equivalents	18,094,919	18,094,919
Due to financial institutions	139,082,964	139,082,964
Other liabilities**	422,736	422,736

* Receivables and other assets represents accrued Murabaha income.

** 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 31 December 2023

14 SEGMENT INFORMATION

The group is engaged primarily in only one business segment, aircraft leasing segment. However, for management purposes, the group is organized into four geographical segments.

31 December 2023:

	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>America KD</i>	<i>Total KD</i>
Segment revenue	<u>666,383</u>	<u>3,062,270</u>	<u>1,854,393</u>	<u>1,700,974</u>	<u>7,284,020</u>
Segment (losses) results before taxations	<u>(4,305,655)</u>	<u>1,115,183</u>	<u>125,519</u>	<u>(870,323)</u>	<u>(3,935,276)</u>
Total assets	<u><u>259,299,889</u></u>	<u><u>267,134,979</u></u>	<u><u>86,103,200</u></u>	<u><u>171,110,338</u></u>	<u><u>783,648,406</u></u>
Total liabilities	<u><u>184,461,047</u></u>	<u><u>203,664,157</u></u>	<u><u>59,332,057</u></u>	<u><u>120,288,952</u></u>	<u><u>567,746,213</u></u>
Other segmental information:					
Depreciation	<u>1,703,837</u>	<u>1,226,327</u>	<u>451,189</u>	<u>674,881</u>	<u>4,056,234</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 December 2023

14 SEGMENT INFORMATION (continued)

31 December 2022:

	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>America KD</i>	<i>Total KD</i>
Segment revenue	12,593,116	2,554,150	1,558,665	1,007,400	17,713,331
Segment results (losses) before taxations	5,180,138	(2,332,733)	(1,162,586)	(1,028,676)	656,143
Total assets	274,254,743	437,015,655	283,437,271	193,893,839	1,188,601,508
Total liabilities	343,361,383	341,308,614	157,086,202	125,419,571	967,175,770
Other segmental information:					
Depreciation	1,864,111	1,228,007	451,189	398,487	3,941,794
Capital expenditure	6,142	-	-	15,930,200	15,936,342

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15 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.

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 December 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	41,056,603	117,895,125	239,190,512	123,849,255	521,991,495
Security deposits	-	694,270	1,385,380	2,072,956	4,152,606
Other liabilities (excluded operating lease income received in advance)	30,254	10,077,453	279,791	1,103,841	11,491,339
TOTAL LIABILITIES	41,086,857	128,666,848	240,855,683	127,026,052	537,635,440
30 September 2023 (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	45,192,535	137,682,214	308,758,407	137,296,356	628,929,512
Security deposits	-	435,449	1,652,674	2,081,402	4,169,525
Other liabilities (excluded operating lease income received in advance)	281,419	10,259,773	251,431	991,197	11,783,820
TOTAL LIABILITIES	45,473,954	148,377,436	310,662,512	140,368,955	644,882,857
31 December 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	110,490,841	125,861,902	533,168,991	166,082,937	935,604,671
Security deposits	-	227,525	1,849,074	1,827,970	3,904,569
Other liabilities (excluded operating lease income received in advance)	42,089	26,651,023	291,056	1,295,398	28,279,566
TOTAL LIABILITIES	110,532,930	152,740,450	535,309,121	169,206,305	967,788,806
Capital commitments	-	-	394,663,046	303,324,794	697,987,840

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2023

16 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 receivables 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 31 December 2023, 30 September 2023, and 31 December 2022 are as follows:

31 December 2023	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	342,615,626	342,615,626
Capital advances	-	-	-
Receivables and other assets	33,462,239	-	33,462,239
Cash and cash equivalents	29,788,729	-	29,788,729
	<u>63,250,968</u>	<u>342,615,626</u>	<u>405,866,594</u>
Assets held for sale	377,781,812	-	377,781,812
Total assets	<u><u>441,032,780</u></u>	<u><u>342,615,626</u></u>	<u><u>783,648,406</u></u>
LIABILITIES			
Due to financial institutions	136,203,288	312,255,664	448,458,952
Security deposits	694,270	3,458,336	4,152,606
Maintenance reserve and provisions	-	32,845,410	32,845,410
Other liabilities	11,361,037	1,383,629	12,744,666
	<u>148,258,595</u>	<u>349,943,039</u>	<u>498,201,634</u>
Liabilities directly associated with assets classified as held for sale	69,544,579	-	69,544,579
Total liabilities	<u><u>217,803,174</u></u>	<u><u>349,943,039</u></u>	<u><u>567,746,213</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 December 2023

16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 September 2023 (Audited)	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	348,065,676	348,065,676
Capital advances	34,996,316	-	34,996,316
Receivables and other assets	33,969,921	-	33,969,921
Cash and cash equivalents	13,105,157	-	13,105,157
	<u>82,071,394</u>	<u>348,065,676</u>	<u>430,137,070</u>
Assets held for sale	455,718,036	-	455,718,036
	<u>537,789,430</u>	<u>348,065,676</u>	<u>885,855,106</u>
LIABILITIES			
Due to financial institutions	157,447,294	389,943,004	547,390,298
Security deposits	-	4,169,525	4,169,525
Maintenance reserve and provisions	-	32,356,235	32,356,235
Other liabilities	11,876,200	1,242,628	13,118,828
	<u>169,323,494</u>	<u>427,711,392</u>	<u>597,034,886</u>
Liabilities directly associated with assets classified as held for sale	67,969,281	-	67,969,281
	<u>237,292,775</u>	<u>427,711,392</u>	<u>665,004,167</u>
31 December 2022			
	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	349,036,751	349,036,751
Capital advances	26,131,655	45,648,415	71,780,070
Receivables and other assets	28,180,046	-	28,180,046
Cash and cash equivalents	32,043,358	-	32,043,358
	<u>86,355,059</u>	<u>394,685,166</u>	<u>481,040,225</u>
Assets held for sale	707,561,283	-	707,561,283
	<u>793,916,342</u>	<u>394,685,166</u>	<u>1,188,601,508</u>
LIABILITIES			
Due to financial institutions	197,438,023	618,336,262	815,774,285
Security deposits	1,129,561	2,775,008	3,904,569
Maintenance reserve and provisions	3,176,206	45,639,524	48,815,730
Other liabilities	28,154,011	1,586,457	29,740,468
	<u>229,897,801</u>	<u>668,337,251</u>	<u>898,235,052</u>
Liabilities directly associated with assets classified as held for sale	68,940,718	-	68,940,718
	<u>298,838,519</u>	<u>668,337,251</u>	<u>967,175,770</u>

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17 SUBSEQUENT EVENTS

Subsequent to the reporting period, on 11 January 2024, the management of the Group has signed an amendment agreement with the Buyer relating to sale of remaining aircrafts fleet (23 aircrafts) to the Buyer. The execution of this amendment is subject to the approval of the shareholders at the General Assembly Meeting scheduled on 19 February 2024, the Kuwait Competition Protection Agency (Kuwait CPA) and the Federal Economic Competition Commission of Mexico (COFECE).

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