

**ALAFCO Aviation Lease and Finance
Company K.S.C.P. and Subsidiaries**
CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2024



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ALAFCO Aviation Lease and Finance Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 30 September 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the accompanying consolidated financial statements, which states that during the current year, on 10 June 2024, the shareholders at the extraordinary general assembly meeting ("EGM") of the Parent Company approved the Parent Company's delisting from Boursa Kuwait, capital reduction, distribution of the reserves, liquidation of the Group subject to regulatory approvals, and distribution of the remaining capital and reserves. As a result, the accompanying consolidated financial statements have been prepared on a basis other than going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

In addition to the matter described in the “Emphasis of Matter – Basis of Accounting” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Sale of aircrafts

During the current year, the Group has sold 51 aircrafts as part of the sale transaction disclosed in Note 6 to the consolidated financial statements. The Group recognised net gain on sale of aircrafts amounting to KD 9,137,285 for the year ended 30 September 2024 which represents 48.1% of profit for the year then ended.

The sale price is adjusted by deducting any write offs of assets that are directly related to the sold aircrafts as on sale date such as deferred tax assets, lease rent receivables, and other assets, and increasing the adjusted sale price by the reversals of all related liabilities such as maintenance reserves, security deposits, and other liabilities for the related aircrafts which are no longer required. In addition, the management has deducted from the sale price certain legal provisions recorded by management which are expected to be incurred relating to the sale of the related aircrafts.

The calculation of the net gain on sale of aircrafts requires management’s judgement in estimating the adjusted sale price after considering all the necessary adjustments including the estimated legal provisions.

Our audit procedures included, among others, the following:

- We have traced the sale price of the sold aircrafts to the signed sale and purchase agreement, and its amendments.
- We have verified the calculation of net gain on sale of aircrafts and verified the inputs used to calculate the adjusted sale price.
- We have ensured that all write offs/ reversals made against the net gain on sale calculation are accurate.
- We have evaluated the calculation and basis of recording the legal provisions which are adjusted in the calculation of the gain on sale of aircrafts and obtained necessary approvals from the legal department.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Sale of aircrafts (continued)

- We have traced the net cash proceeds from sale of the related aircrafts to the bank statements.
- We have verified the calculation of the net cash proceeds and we have verified the inputs used to calculate the net cash proceeds.
- We reperformed management's calculation of the resultant net gain on sale of aircrafts.
- We also assessed the adequacy of the related disclosures in the consolidated financial statements regarding the sale of aircrafts in Note 6.

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2024 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusion are based on the audit evidence obtained up to the date of our auditor's report.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF ALAFCO
AVIATION LEASE AND FINANCE COMPANY K.S.C.P. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

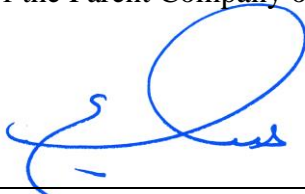
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company’s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016 as amended, and its executive regulations, as amended, and by the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 as amended, and its executive regulations, as amended, nor of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 30 September 2024 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 audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority “CMA” and organization of security activity and its executive regulations, as amended, during the year ended 30 September 2024 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

13 November 2024
Kuwait

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	2024 KD	2023 KD
ASSETS			
Aircraft, engines and equipment	5	-	348,065,676
Capital advances	7	-	34,996,316
Receivables and other assets	8	4,356,213	33,969,921
Short-term deposits	9	109,118,400	-
Bank balances and cash	10	128,077,345	13,105,157
		<u>241,551,958</u>	<u>430,137,070</u>
Assets held for sale	6	-	455,718,036
		<u>241,551,958</u>	<u>885,855,106</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	10,000,000	95,209,348
Share premium	11	-	17,829,167
Statutory reserve	12	29,571,005	29,571,005
Foreign currency translation reserve		15,343,071	17,807,900
Retained earnings		5,880,793	60,433,519
		<u>60,794,869</u>	<u>220,850,939</u>
LIABILITIES			
Due to financial institutions	13	-	547,390,298
Security deposits	14	-	4,169,525
Maintenance reserve and provisions	15	-	32,356,235
Other liabilities	16	4,183,832	13,118,828
Amount due to shareholders	22	176,573,257	-
		<u>180,757,089</u>	<u>597,034,886</u>
Liabilities directly associated with assets classified as held for sale	6	-	67,969,281
		<u>180,757,089</u>	<u>665,004,167</u>
TOTAL LIABILITIES			
TOTAL EQUITY AND LIABILITIES			
		<u>241,551,958</u>	<u>885,855,106</u>



Sami Abdullatif AlNusif
Chairman of the Board



Ahmad Abdulaziz Alnafisi
Board Member

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 30 September 2024

	<i>Notes</i>	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Operating lease income	17	19,373,256	35,856,738
Murabaha income		5,030,000	161,177
Net gain on disposal of aircrafts	5 & 6	9,137,285	1,384,569
Other income	18	28,628,986	28,718,288
Staff costs		(2,567,227)	(3,770,084)
Depreciation	5	(8,046,937)	(15,883,644)
Impairment loss on aircrafts	6	(6,373,235)	-
Other operating expenses	19	(8,205,628)	(4,325,156)
Reversal of credit loss on receivables	8	1,614,769	2,170,335
Finance costs		(18,597,310)	(45,462,417)
		<hr/>	<hr/>
PROFIT (LOSS) FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT, AND DIRECTORS' FEES		19,993,959	(1,150,194)
Contribution to KFAS		(179,946)	-
NLST		(429,998)	-
Zakat		(171,999)	-
Director' fees		(230,000)	-
		<hr/>	<hr/>
PROFIT (LOSS) FOR THE YEAR		18,982,016	(1,150,194)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings (losses) per share	4	20.39 fils	(1.21) fils
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2024

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Profit (loss) for the year	18,982,016	(1,150,194)
Other comprehensive loss:		
<i>Items that are not reclassified subsequently to consolidated statement of income</i>		
Foreign currency translation adjustments	(2,464,829)	(2,021,379)
Other comprehensive loss for the year	(2,464,829)	(2,021,379)
Total comprehensive income (loss) for the year	16,517,187	(3,171,573)

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2024

	<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>
As at 1 October 2023	95,209,348	17,829,167	29,571,005	17,807,900	60,433,519	220,850,939
Profit for the year	-	-	-	-	18,982,016	18,982,016
Other comprehensive loss for the year	-	-	-	(2,464,829)	-	(2,464,829)
Total comprehensive (loss) income for the year	-	-	-	(2,464,829)	18,982,016	16,517,187
Reduction in share capital (Note 11)	(85,209,348)	-	-	-	-	(85,209,348)
Cash dividend (Note 11)	-	(17,829,167)	-	-	(73,534,742)	(91,363,909)
At 30 September 2024	10,000,000	-	29,571,005	15,343,071	5,880,793	60,794,869
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 year	-	-	-	-	(1,150,194)	(1,150,194)
Other comprehensive loss for the year	-	-	-	(2,021,379)	-	(2,021,379)
Total comprehensive loss for the year	-	-	-	(2,021,379)	(1,150,194)	(3,171,573)
At 30 September 2023	95,209,348	17,829,167	29,571,005	17,807,900	60,433,519	220,850,939

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2024

	<i>Notes</i>	2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit (loss) for the year		18,982,016	(1,150,194)
Adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation	5	8,046,937	15,883,644
Impairment loss on aircraft		6,373,235	-
Murabaha income		(5,030,000)	(161,177)
Finance costs		18,597,310	45,462,417
Reversal of credit loss on receivables	8	(1,614,769)	(2,170,335)
Net gain on disposal of aircrafts	5 & 6	(9,137,285)	(1,384,569)
		36,217,444	56,479,786
Changes in operating assets and liabilities:			
Receivables and other assets		22,388,062	(13,254,134)
Other liabilities (includes security deposits and liabilities relating to assets held for sale)		(52,287,799)	36,954,862
Maintenance reserve and provisions		(372,119)	(6,274,978)
Cash from operations		5,945,588	73,905,536
Finance costs paid		(19,173,249)	(42,556,143)
Net cash flows (used in) from operating activities		(13,227,661)	31,349,393
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	5	-	(1,029,386)
Proceeds from disposal of aircraft, engines and equipment		745,967,987	218,922,014
Proceeds from transfer of Boeing order book	7	-	21,563,500
Capital advances for purchase of aircraft, engines and equipment	7	-	(107,975)
Capital advances refunded by the manufacturer	7	34,627,097	-
Net movement in short-term deposits		(109,118,400)	-
Murabaha income received		3,230,199	161,665
Net cash flows from investing activities		674,706,883	239,509,818
FINANCING ACTIVITIES			
Proceeds from financing facilities	13	-	24,644,000
Repayment of financing facilities	13	(545,299,021)	(307,458,452)
Net cash flows used in financing activities		(545,299,021)	(282,814,452)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		116,180,201	(11,955,241)
Foreign currency translation adjustment		(1,208,013)	(52,757)
Bank balances and cash at the beginning of the year		13,105,157	25,113,155
BANK BALANCES AND CASH AT THE END OF THE YEAR		128,077,345	13,105,157

The attached notes 1 to 27 form part of these consolidated financial statements.

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, and 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 consolidated financial statements include transactions and balances of the Parent Company and wholly owned Special Purpose Companies (SPC’s) (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 shareholders of the Parent Company at the annual general assembly meeting (“AGM”) held on 19 February 2024 approved the consolidated financial statements of the Group for the year ended 30 September 2023 and resolved not to distribute any dividends for the year then ended.

The consolidated financial statements of the Group for the year ended 30 September 2024 were authorised for issue in accordance with a resolution of the board of directors on 13 November 2024, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

2 FUNDAMENTAL ACCOUNTING CONCEPT

In prior years, the Group has entered into sale agreements to sell all the aircrafts of the Group to Macquarie Airfinance Group Limited (the “Buyer”). As at 30 September 2024, all aircrafts were transferred to the Buyer.

During the current year, on 10 June 2024, the shareholders at the extraordinary general assembly meeting (“EGM”) of the Parent Company approved the Parent Company’s delisting from Boursa Kuwait, capital reduction, distribution of the reserves, liquidation of the Group subject to regulatory approvals, and distribution of the remaining capital and reserves. As a result, the consolidated financial statements of the Group are not prepared on a going concern basis. Accordingly, the consolidated financial statements are prepared on a basis other than going concern, whereby carrying values for the Group’s assets as of 30 September 2024 are presented at their net realisable values and liabilities are presented at settlement amounts.

The liquidation will only take place after delisting the Group from Boursa Kuwait and after obtaining regulatory approvals, hence the liquidator is not yet appointed as of 30 September 2024.

As at 30 September 2024

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements are prepared under the historical cost convention.

The functional currency of the Parent Company is US dollars (“USD”). The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”).

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 October 2023.

The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time during the year ended 30 September 2024, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*; IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, 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 standard had no impact on the consolidated financial statements of the Group.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, 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 consolidated financial statements of the Group.

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 consolidated financial statements of the Group.

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 have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

As at 30 September 2024

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.3 STANDARDS ISSUED BUT NOT 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 consolidated financial statements 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 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities 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.
- ▶ 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 annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (together, the “Group”) as at 30 September 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Each component of the consolidated statements of income and comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

As mentioned in Note 1, the activities of the SPC’s are entered on behalf of ALAFCO. The consolidated financial statements include the financial statements of ALAFCO and its subsidiaries (“SPC’s”) incorporated in Cayman Islands, Ireland, and United Arab Emirates as listed in the following table for the year ended 30 September 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.4 BASIS OF CONSOLIDATION (continued)

SPCs directly held:

<i>Name</i>	<i>Country of incorporation</i>	<i>Share capital US\$/ Pound</i>	<i>Activities</i>
Alafco Irish Aircraft Leasing Two Limited	Ireland	US\$ 1	Purchasing, financing, leasing and subleasing of aircraft.
Alafco (DIFC) One SPC Limited	United Arab Emirates	US\$ 1,000	Purchasing, financing, leasing and subleasing of aircraft
Alafco (DIFC) Two SPC Limited	United Arab Emirates	US\$ 1,000	Purchasing, financing, leasing and subleasing of aircraft
Alafco Aviation One PCC Limited	United Arab Emirates	US\$ 100	Purchasing, financing, leasing and subleasing of aircraft
Adhan Aircraft Leasing 4 Limited	Cayman Islands	US\$ 50,000	Purchasing, financing, leasing and subleasing of aircraft.
MSN 308 Limited	Cayman Islands	US\$ 50,000	Purchasing, financing, leasing and subleasing of aircraft.
MSN 323 Limited	Cayman Islands	US\$ 50,000	Purchasing, financing, leasing and subleasing of aircraft.
MSN 338 Limited	Cayman Islands	US\$ 50,000	Purchasing, financing, leasing and subleasing of aircraft.
Alafco Irish Aircraft Leasing Sixteen Limited	Ireland	US\$ 1	Purchasing, financing, leasing and subleasing of aircraft.

3.5 MATERIAL ACCOUNTING POLICY INFORMATION

Aircraft, engines and equipment

Aircraft, engines and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on cost less residual value over the estimated useful lives as follows:

▶ Aircraft and engines (excluding Buyer Furnished Equipment – wide body aircraft)	25 years (from the date of original manufacture)
▶ Buyer Furnished Equipment (BFE) - wide body aircraft	12 years (from the date of purchase)
▶ Furniture and fixtures	5 years
▶ Office equipment	5 years

An item of aircraft, engines and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of the assets are reviewed and adjusted prospectively, if appropriate.

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.

As at 30 September 2024

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Non-current assets held for sale (continued)

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with financial institutions and short-term murabahas with financial institutions with original maturities of three months or less from the date of placement.

Short-term deposits

Short-term deposits comprise of short-term murabahas with financial institutions with original maturities over three months from the date of placement.

Leases

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Maintenance reserve and provisions

Maintenance reserve and provisions comprise of maintenance reserve, heavy maintenance provision, re-lease provision, and lessor contributions.

Maintenance reserve

Maintenance reserve represents payments made by the lessee for usage of the aircraft and is offset against actual maintenance expenses as and when incurred on the aircraft. At the time of disposal of aircraft, the remaining balance of maintenance reserve is recognised as income in the consolidated statement of income.

Heavy maintenance provision

The heavy maintenance provision represents the heavy maintenance costs associated with the preparation and transition of an aircraft to a new lessee. This includes any costs related to heavy maintenance overhauls not covered by previously collected maintenance reserve. Heavy maintenance provisions are recognised when the Group believes it is probable that the costs will be incurred and the amount is reasonably estimated.

Re-lease provision

Re-lease provision represents the Group's best estimate of the costs associated with the preparing and transitioning of an aircraft from one lessee to another. These are recognised 2-3 years before the expiry of current lease when the future economic outflow is probable and the amount of the provision can be reliably measured.

Lessor contributions

At the beginning of each new lease subsequent to the first lease on a new aircraft, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

Lessor contributions in respect of end of lease adjustments are recognised when the Group believes it is probable that it will be required to reimburse amounts to a lessee and the amount can be reasonably estimated.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised, if they are directly attributable to a qualifying asset, as part of capital advances over the period of the construction until the aircraft concerned is completed and delivered on the basis of actual borrowings and actual expenditure incurred on the purchase of the aircraft. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the aircraft for its intended use are complete.

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of the Group are translated from the functional currency (US Dollar) into the presentation currency (Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and the consolidated statement of income items are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of aircraft

Revenue from sale of aircraft is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aircraft.

In determining the transaction price for the sale of aircraft, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the aircraft to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group has no contracts with a right of return.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised aircraft to the customer and when the customer pays for that aircraft will be one year or less. The Group does not receive any long term advances from customers.

Operating lease income

Operating lease income comprises of (i) lease rental income from aircraft leasing which is recognised on a straight-line basis in accordance with the lease agreement, (ii) release of maintenance reserves and (iii) is net of amortisation of lease incentive assets.

Murabaha income

Murabaha income is recognised on effective yield basis.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of the profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year.

Zakat

The Group provides for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Financial instruments – initial recognition, subsequent measurement and derecognition

a) Recognition and initial measurement

Receivables and other assets are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at financial asset at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is measured at: amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All financial assets not classified at amortised cost as described above are measured at FVTPL.

The Group's financial assets include bank balances and cash, short-term deposits, and receivables and other assets which are measured at amortised cost. As of 30 September 2024, financial assets are recorded at net realisable value.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

b) Classification and subsequent measurement (continued)

Financial assets (continued)

Financial assets – Subsequent measurement and gains and losses:

- ▶ Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any finance or dividend income, are recognised in the consolidated statement of income.
- ▶ Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment losses. Finance income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit method.

The Group's financial liabilities include due to financial institutions, security deposits, other liabilities and amount due to shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Other liabilities

Other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. As of 30 September 2024, liabilities are presented at settlement amounts.

c) Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ▶ The rights to receive cash flows from the asset have expired; or
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Determination of expected credit losses (ECL) on bank balances and cash and receivables and other assets

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does not determine ECLs on bank balances and cash as these are considered to be of low risk and the Group does not expect to incur any credit losses on these instruments.

Fair values

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset, or transfer the liability, takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Employees' end of service benefits

The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)

3.6 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Judgments

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit.

Depreciation of aircraft, engines and equipment

Management assigns useful lives and residual values to aircraft, engines and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Residual value of aircraft, engines and equipment

Management decides on the appropriateness of residual value used at each reporting date. Management obtains independent published valuations, based on certain industry valuation techniques, of its fleet of aircraft to determine the residual values every year. On a conservative basis, management adopts a policy of discounting these valuations as it does not believe that these amounts would be realisable in open market transactions. As a result, the actual residual values could differ from initial estimates. Based on the above exercise, the residual value of the fleet approximates 15% of the purchase price (in aggregate) except for BFE – wide body aircraft which does not have a residual value.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate a lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

As at 30 September 2024

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES (continued)**3.6 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****Estimation uncertainty (continued)*****Impairment of aircraft, engines and equipment***

A decline in the value of aircraft could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- ▶ significant decline in the market value beyond that which would be expected from the passage of time or normal use,
- ▶ significant changes in the technology and regulatory environments,
- ▶ evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Aircraft heavy maintenance provisions

Management estimates the maintenance costs and the costs associated with the overhaul/ restitution of major components of aircraft such as engines and life-limited parts as per new operating lease agreements. The calculation of such costs includes a number of variable factors and assumptions, such as

- ▶ the anticipated utilisation of the aircraft,
- ▶ cost of maintenance and
- ▶ the remaining lifespan of the engines/life-limited parts at the time when the aircraft would be delivered to the new lessees.

Impairment of financial assets at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

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

	<i>2024</i>	<i>2023</i>
Profit (loss) for the year (KD)	18,982,016	(1,150,194)
Weighted average number of ordinary shares	931,140,362	952,093,482
Basic and diluted earnings (losses) per share	20.39 fils	(1.21) fils

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

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

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As at 30 September 2024

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
Transferred to assets held for sale *	(513,047,866)	-	-	(513,047,866)
Foreign currency adjustment	(2,317,605)	(3,569)	(1,996)	(2,323,170)
At 30 September 2024	5,563,806	334,697	187,182	6,085,685
Depreciation and impairment				
At 1 October 2023	172,875,609	338,266	177,170	173,391,045
Depreciation charge for the year	8,034,968	206	11,763	8,046,937
Transferred to assets held for sale *	(174,547,151)	-	-	(174,547,151)
Foreign currency adjustment	(799,620)	(3,775)	(1,751)	(805,146)
At 30 September 2024	5,563,806	334,697	187,182	6,085,685
Net carrying amount				
At 30 September 2024	-	-	-	-
Cost				
At 1 October 2022	1,479,869,621	341,344	184,666	1,480,395,631
Additions	1,023,210	-	6,176	1,029,386
Transfer from capital advances (Note 7)	31,229,625	-	-	31,229,625
Disposals	(27,415,477)	-	-	(27,415,477)
Transferred to assets held for sale *	(959,086,719)	-	-	(959,086,719)
Foreign currency adjustment	(4,690,983)	(3,078)	(1,664)	(4,695,725)
At 30 September 2023	520,929,277	338,266	189,178	521,456,721
Depreciation and impairment				
At 1 October 2022	412,586,931	341,155	171,794	413,099,880
Depreciation charge for the year	15,876,557	190	6,897	15,883,644
Disposal	(12,959,554)	-	-	(12,959,554)
Transferred to assets held for sale *	(241,132,011)	-	-	(241,132,011)
Foreign currency adjustment	(1,496,314)	(3,079)	(1,521)	(1,500,914)
At 30 September 2023	172,875,609	338,266	177,170	173,391,045
Net carrying amount				
At 30 September 2023	348,053,668	-	12,008	348,065,676

* Aircraft with carrying value of KD 338,500,715 has been transferred to assets held for sale during the year (2023: KD 717,954,708) (Note 6).

During the prior year ended 30 September 2023, the Group recognized gain of KD 1,437,768 from the sale of certain aircraft.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

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).

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.

During the current year, on 11 January 2024, the Parent Company has signed an amendment agreement with the Buyer relating to sale of remaining portfolio of fleet (23 aircrafts) to the Buyer. The total sale price with regards to sale of the remaining 23 aircrafts, is USD 1.115 billion (approximately, KD 342 million) as per the signed sale and purchase agreements. On 19 February 2024, the Parent Company obtained the approval of the shareholders at the General Assembly Meeting. The execution of this amendment was subject to the approval of Kuwait Competition Protection Agency (Kuwait CPA) and the Federal Economic Competition Commission of Mexico (COFECE), which were obtained on 7 April 2024 and 14 March 2024 respectively. Upon obtaining the approvals during the current year, the Group has transferred the carrying value of the remaining 23 aircrafts amounting to KD 338,500,715 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” amounting to KD 34,840,170.

Movement on assets held for sale during the year ended 30 September 2024 and 30 September 2023 is as follows:

	2024	2023
	KD	KD
At the beginning of the year	455,718,036	-
Transfer from aircraft, engines, and equipment	338,500,715	717,954,708
Disposal during the year *	(780,985,836)	(255,769,652)
Impairment **	(6,373,235)	-
Foreign currency translation adjustment	(6,859,680)	(6,467,020)
	<hr/>	<hr/>
At the ending of the year	-	455,718,036
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

6 NON-CURRENT ASSETS HELD FOR SALE (continued)

Movement on liabilities directly associated with assets classified as held for sale during the year ended 30 September 2024 and 30 September 2023 is as follows:

	2024 KD	2023 KD
At the beginning of the year	67,969,281	-
Transfer from maintenance reserve and security deposits (Notes 14 and 15)	34,840,170	70,472,154
Cash collection of lease rent and maintenance reserve after ECD	86,824,969	42,184,760
Disposal during the year *	(188,701,499)	(40,606,924)
Other movements	-	(3,445,927)
Foreign currency translation adjustment	(932,921)	(634,782)
	<u> </u>	<u> </u>
At the end of the year	<u> </u> <u> </u>	<u> </u> <u> </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 prior year, 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 (Note 7).

* During the current year, the Group has completed the sale of 51 aircrafts, out of which 41 aircraft was sold by transferring the Group's shares in the SPCs which are holding those aircrafts to the Buyer and 10 aircrafts were sold by transferring the legal title in the aircraft to the Buyer. The Group recognized net gain of KD 9,137,285 (30 September 2023: Net loss of KD 53,199) from the sale of these aircrafts considering the adjusted sale price. The sale price is adjusted by deducting any write offs of assets that are directly related to the sold aircrafts as on sale date such as deferred tax assets, lease rent receivables, and other assets, and increasing the adjusted sale price by the reversals of all related liabilities such as maintenance reserves, security deposits, and other liabilities for the related aircrafts which are no longer required. In addition, the management has deducted from the sale price certain legal provisions recorded by management which are expected to be incurred relating to the sale of the related aircrafts.

** During the current year, the Group has recorded impairment loss of KD 6,373,235 to bring down the net book value of aircrafts to its net realisable value. The net realisable value was determined based on the sale price in the sale and purchase agreement with the Buyer.

7 CAPITAL ADVANCES

	30 September 2024 KD	30 September 2023 KD
At 1 October	34,996,316	88,478,441
Additional payments	-	107,975
Transfer to aircraft, engines and equipment (Note 5)	-	(31,229,625)
Transfer of Boeing order book to the Buyer (Note 6)	-	(21,563,500)
Refunds during the year *	(34,627,097)	-
Foreign currency adjustment	(369,219)	(796,975)
	<u> </u>	<u> </u>
	<u> </u> <u> </u>	<u> </u> <u> </u>

Capital advances represent progress payments made towards the purchase of aircraft and engines.

* During the current year, 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 has been fully refunded during the current year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

8 RECEIVABLES AND OTHER ASSETS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Lease and maintenance receivables	-	26,796,030
Less: Allowance for expected credit losses	-	(17,561,121)
	<u>-</u>	<u>9,234,909</u>
Receivables from a manufacturer	-	54,293
Prepayments and advances	56,978	230,078
Staff receivables	128,400	64,919
Finance income receivable*	-	20,212,568
Receivables from the Buyer of aircraft	2,405,982	-
Accrued Murabaha income	1,764,081	-
Other assets	772	4,238,073
	<u>4,356,213</u>	<u>33,969,921</u>

* Finance income represents compensation from the Buyer of all 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 is recorded from 1 October 2023 until the date of transfer of the aircrafts to the Buyer.

Set out below is the movement in the allowance for expected credit losses of lease and maintenance receivables:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
At 1 October	17,561,121	25,376,798
Reversal of credit loss on receivables during the year	(1,614,769)	(2,170,335)
Write offs during the year	(15,772,389)	(5,410,187)
Foreign currency adjustment	(173,963)	(235,155)
At 30 September	<u>-</u>	<u>17,561,121</u>

Information about the credit exposures are disclosed in Note 26.1.

9 SHORT-TERM DEPOSITS

Short-term murabahas represent short-term deals in international commodity transactions with maturity of more than 3 months from date of placement which earn an average profit rate of 6% per annum (2023: Nil).

10 BANK BALANCES AND CASH

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Cash	1,047	1,348
Balances with financial institutions	128,076,298	13,103,809
Bank balances and cash	<u>128,077,345</u>	<u>13,105,157</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

11 EQUITY

Share capital

The authorised, issued and fully paid share capital as at 30 September 2024 comprises 100,000,000 ordinary shares (2023: 952,093,482 ordinary shares) of 100 fils each paid in cash and bonus shares.

On 22 September 2024, the shareholders at the extra-ordinary general assembly meeting (“EGM”) of the Parent Company approved the reduction in the authorised, issued and paid-up share capital by KD 85,209,348 from KD 95,209,348 to KD 10,000,000. The reduction in share capital has been authenticated in the commercial register on 30 September 2024 under registration number 80745. The share capital reduction payable to shareholders amounting to KD 85,209,348 is recorded under amount due to shareholders as of 30 September 2024 in the consolidated statement of financial position and were paid to shareholders subsequent to the reporting date on 22 October 2024.

Dividends distributed

On 22 September 2024, the shareholders at the annual general assembly meeting (AGM) of the Parent company approved cash dividend of KD 91,363,909, out of which KD 17,829,167 were distributed from the share premium and KD 73,534,742 were distributed from the retained earnings. The dividends distributed are recorded under amount due to shareholders as of 30 September 2024 in the consolidated statement of financial position and were paid to shareholders subsequent to the reporting date on 22 October 2024.

12 STATUTORY RESERVE

In accordance with the Companies’ Law, and the Parent Company’s Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before directors’ fees and contribution to KFAS, NLST and Zakat shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice unless such reserve exceeds 50% of the issued share capital. No transfer has been made to statutory reserve during the year.

13 DUE TO FINANCIAL INSTITUTIONS

	2024	2023
	KD	KD
Balance due to financial institutions - financing against aircraft	-	488,011,363
Unsecured financing facilities	-	63,102,034
	-	551,113,397
Less: deferred financing arrangement fees	-	(3,723,099)
	-	547,390,298

Obligation under secured financing arrangements

Future minimum payments under agreements together with the present value of the payments are as follows:

	2024		2023	
	<i>Minimum payments</i>	<i>Present value of payments</i>	<i>Minimum payments</i>	<i>Present value of payments</i>
	KD	KD	KD	KD
Within one year	-	-	118,644,509	95,401,457
After one year but not more than five years	-	-	314,824,452	269,513,676
After 5 years	-	-	143,705,447	123,096,230
Total minimum payments	-	-	577,174,408	488,011,363
Less: amounts representing finance charges	-	-	(89,163,045)	-
Present value of minimum payments	-	-	488,011,363	488,011,363

During the current year, all financing facilities were settled.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

13 DUE TO FINANCIAL INSTITUTIONS (continued)

Financing facilities carry an average profit rate of Nil as of 30 September 2024 (2023: ranging from 5.33% to 9.66% per annum).

Changes in liabilities from financing activities:

	<i>1 October 2023 KD</i>	<i>Cash inflows KD</i>	<i>Cash outflows KD</i>	<i>Foreign currency adjustment KD</i>	<i>30 September 2024 KD</i>
Due to financial institutions - Gross	551,113,397	-	(545,299,021)	(5,814,376)	-
Total liabilities from financing activities	551,113,397	-	(545,299,021)	(5,814,376)	-

	<i>1 October 2022 KD</i>	<i>Cash inflows KD</i>	<i>Cash outflows KD</i>	<i>Foreign currency adjustment KD</i>	<i>30 September 2023 KD</i>
Due to financial institutions - Gross	841,507,779	24,644,000	(307,458,452)	(7,579,930)	551,113,397
Total liabilities from financing activities	841,507,779	24,644,000	(307,458,452)	(7,579,930)	551,113,397

14 SECURITY DEPOSITS

Security deposits represent amounts paid by the lessees as a security in accordance with the lease agreements. The deposits are repayable to the lessees on the expiration of the lease agreements subject to satisfactory compliance of the lease agreements by the lessees.

Movement in security deposits is as follows:

	<i>2024 KD</i>	<i>2023 KD</i>
At 1 October	4,169,525	12,450,499
Reclassified to liabilities relating to assets held for sale (Note 6)	(4,024,268)	(8,738,328)
Additions	-	490,791
Re-payments	(126,197)	-
Foreign currency adjustment	(19,060)	(33,437)
As at 30 September	-	4,169,525

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

15 MAINTENANCE RESERVE AND PROVISIONS

	<i>Balance at 1 October 2023 KD</i>	<i>Reclassified to liabilities relating to assets held for sale * KD</i>	<i>Additions KD</i>	<i>Releases/ utilizes KD</i>	<i>Foreign currency adjustment KD</i>	<i>Balance at 30 September 2024 KD</i>
Maintenance reserve	31,327,631	(30,815,902)	2,430,336	(2,802,455)	(139,610)	-
Re-lease provisions	1,028,604	-	-	(1,017,753)	(10,851)	-
Total	<u>32,356,235</u>	<u>(30,815,902)</u>	<u>2,430,336</u>	<u>(3,820,208)</u>	<u>(150,461)</u>	<u>-</u>

	<i>Balance at 1 October 2022 KD</i>	<i>Reclassified to liabilities relating to assets held for sale * KD</i>	<i>Additions KD</i>	<i>Releases/ utilizes KD</i>	<i>Foreign currency adjustment KD</i>	<i>Balance at 30 September 2023 KD</i>
Maintenance reserve	100,827,896	(61,733,826)	6,483,337	(13,897,634)	(352,142)	31,327,631
Heavy maintenance provisions	10,427,987	-	-	(10,334,057)	(93,930)	-
Re-lease provisions	1,355,188	-	-	(314,375)	(12,209)	1,028,604
Lessor contributions	2,510,570	-	-	(2,487,956)	(22,614)	-
Total	<u>115,121,641</u>	<u>(61,733,826)</u>	<u>6,483,337</u>	<u>(27,034,022)</u>	<u>(480,895)</u>	<u>32,356,235</u>

* During the current year, the Group has re-classified maintenance reserves amounting to KD 30,815,902 to “liabilities relating to assets held for sale” (2023: KD 61,733,826) (Note 6).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 OTHER LIABILITIES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Operating lease income received in advance	-	1,335,008
Accrued expenses	321,141	3,868,985
Commitment deposits	-	468,236
End of service benefits	753,200	983,348
KFAS, NLST, Zakat, and other tax payable	776,390	47,415
Consultancy fees payable	1,264,920	-
Liquidation expenses payable	249,936	-
Other payables	818,245	6,415,836
As at 30 September	<u>4,183,832</u>	<u>13,118,828</u>

17 OPERATING LEASE INCOME

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Lease rental income	19,373,256	36,156,730
Amortisation of lease incentive assets	-	(299,992)
Operating lease income	<u>19,373,256</u>	<u>35,856,738</u>

18 OTHER INCOME

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Finance income *	18,391,405	25,713,349
Reversal of other provisions **	2,069,043	2,899,115
Income from collection of written off receivables ***	4,471,489	-
Reversal of payable to Engine manufacturer ****	2,854,210	-
Other miscellaneous income	842,839	105,824
	<u>28,628,986</u>	<u>28,718,288</u>

* The finance income represents compensation from the Buyer, 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 year.

*** During the current year, the Group has recovered KD 4,471,489 from written off receivables in the prior years.

**** This represents reversal of payable to Engine manufacturer relating to two aircrafts which were sold during the current year. Based on discussions with the manufacturer, the payables will not be claimed by the manufacturer, hence, the payables are no longer required.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 OTHER OPERATING EXPENSES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Cancelation fees to engine manufacturer	3,097,290	-
Consultancy expenses	1,273,967	-
Liquidation expenses	290,823	-
Stamp duty fees relating to sale of aircrafts	753,180	-
Aircraft insurance expenses	873,850	1,408,340
Office rental expense (short-term lease)	185,530	223,803
Subscription expenses	100,420	94,818
Audit fees	93,230	70,688
Other operating expenses	1,537,338	2,527,507
As at 30 September	<u>8,205,628</u>	<u>4,325,156</u>

20 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD Nil (2023: KD 701,861,120).

During the current year, 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 year (Note 7). Accordingly, the Group does not have any capital commitments as at 30 September 2024.

21 CONTINGENT LIABILITIES

As at 30 September 2024, the Group has contingent liabilities amounting to KD Nil (2023: KD Nil) in respect of letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

22 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and Board of Directors.

Significant transactions with related parties included in the consolidated financial statements are as follows:

Consolidated statement of income:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Murabaha income		
- Bank	1,374,457	161,177
- Other related parties *	3,598,061	-
	<u>4,972,518</u>	<u>161,177</u>
Finance costs		
- Bank	4,134,401	8,160,554
	<u>4,134,401</u>	<u>8,160,554</u>
<i>Key management compensation:</i>		
Salaries and other short-term benefits	929,701	765,763
End of service benefits	141,702	326,761
	<u>1,071,403</u>	<u>1,092,524</u>

The shareholders at the annual general assembly of the Parent Company held on 19 February 2024 have approved directors' remuneration for the independent members of KD 45,000 for the year ended 30 September 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

22 RELATED PARTY TRANSACTIONS (continued)

Consolidated statement of financial position:

	<i>Bank KD</i>	<i>Shareholders KD</i>	<i>Other related parties * KD</i>	<i>Total KD</i>
30 September 2024				
Bank balances	127,404,443	-	-	127,404,443
Short-term deposits	-	-	109,118,400	109,118,400
Receivables and other assets **	-	-	1,764,081	1,764,081
Amount due to shareholders ***	-	176,573,257	-	176,573,257
30 September 2023				
Bank balances	7,356,992	-	-	7,356,992
Due to financial institutions	79,891,118	-	-	79,891,118
Other liabilities****	535,236	-	-	535,236

* Other related parties represent subsidiary of the Bank.

** Receivables and other assets represent accrued Murabaha income.

*** Amount due to shareholders represent dividend payable amounting to KD 91,363,909 and share capital reduction amount payable amounting to KD 85,209,348 (Note 11).

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

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. Maturity of bank balances and cash 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 assets held for sale, 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 September 2024 and 30 September 2023 are as follows:

30 September 2024	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Receivables and other assets	4,356,213	-	4,356,213
Short-term deposits	109,118,400	-	109,118,400
Bank balances and cash	128,077,345	-	128,077,345
Total assets	241,551,958	-	241,551,958
LIABILITIES			
Other liabilities	4,183,832	-	4,183,832
Amount due to shareholders	176,573,257	-	176,573,257
Total liabilities	180,757,089	-	180,757,089

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 September 2023	<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
Bank balances and cash	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>

24 SEGMENT INFORMATION

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

30 September 2024	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>America KD</i>	<i>Total KD</i>
Segment revenue	<u>48,915,730</u>	<u>6,369,543</u>	<u>3,514,500</u>	<u>3,369,754</u>	<u>62,169,527</u>
Segment results (losses)	<u>22,331,252</u>	<u>175,034</u>	<u>201,903</u>	<u>(2,714,230)</u>	<u>19,993,959</u>
Total assets	<u>241,367,816</u>	<u>-</u>	<u>184,142</u>	<u>-</u>	<u>241,551,958</u>
Total liabilities	<u>180,698,776</u>	<u>-</u>	<u>58,145</u>	<u>168</u>	<u>180,757,089</u>
Other segmental information:					
Depreciation	<u>(3,384,729)</u>	<u>(2,431,245)</u>	<u>(893,893)</u>	<u>(1,337,070)</u>	<u>(8,046,937)</u>
Finance costs	<u>(8,346,735)</u>	<u>(4,321,487)</u>	<u>(1,810,360)</u>	<u>(4,118,728)</u>	<u>(18,597,310)</u>
(Allowance for) reversal of credit loss on receivables	<u>(3,568)</u>	<u>1,661,950</u>	<u>655</u>	<u>(44,268)</u>	<u>1,614,769</u>

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24 SEGMENT INFORMATION (continued)

30 September 2023	Middle East KD	Asia KD	Europe KD	America KD	Total KD
Segment revenue	42,440,885	11,245,319	6,756,561	5,678,007	66,120,772
Segment results (losses)	12,969,246	(6,530,923)	(3,207,097)	(4,381,420)	(1,150,194)
Total assets	242,141,768	306,815,961	163,988,643	172,908,734	885,855,106
Total liabilities	221,765,208	230,745,575	90,595,729	121,897,655	665,004,167
Other segmental information:					
Depreciation	(6,856,278)	(4,854,755)	(1,783,713)	(2,388,898)	(15,883,644)
Finance costs	(17,419,070)	(13,502,881)	(7,373,950)	(7,166,516)	(45,462,417)
(Allowance for) reversal of credit loss on receivables	(206)	1,958,170	21,219	191,152	2,170,335
Capital expenditure	6,176	-	-	32,252,835	32,259,011

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash, short-term deposits and receivables and other assets. Financial liabilities consist of amounts due to financial institutions, security deposits, and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk and equity price risk, because the Group's significant transactions, assets and liabilities are denominated in the functional currency and no equity instruments. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

The Group's principal financial liabilities comprise due to financial institutions, security deposits, and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, short-term deposits and receivables and other assets. No significant changes were made in the risk management objectives and policies during the years ended 30 September 2024 and 30 September 2023.

The management of the Group is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

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As at 30 September 2024

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)**26.1 CREDIT RISK**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its bank balances, short-term deposits and receivables and other assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Bank balances	128,076,298	13,103,809
Short-term deposits (with original maturity between 3 months and 12 months)	109,118,400	-
Receivables and other assets *	4,299,235	33,739,843
	241,493,933	46,843,652

* Excluded from receivables and other assets are prepayments and advances of KD 56,978 for the year ended 30 September 2024 (2023: KD 230,078).

Receivables and other assets

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all receivables. However, the Group considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. During the current year, the Group has individually considered the situation of each customer and provided extension in the payment terms for certain customers.

Generally, receivables are written off if past due for more than one year and are not subject to enforcement activity. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Based on management's assessment during the year, the Group has recorded reversal of credit loss on receivables amounting to KD 1,614,769 (2023: KD 2,170,335).

During the year, the Group has considered certain receivables to be in default which has indicated that the Group is unlikely to receive the outstanding contractual amounts. As a result, the management has written off those receivables amounting to KD 15,772,389 (2023: KD 5,410,187).

Bank balances and short-term deposits

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

26.2 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.

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26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 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 September 2024	<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>
Other liabilities (excluded operating lease income received in advance)	58,313	4,125,519	-	-	4,183,832
Amount due to shareholders	176,573,257	-	-	-	176,573,257
TOTAL LIABILITIES	176,631,570	4,125,519	-	-	180,757,089
30 September 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	45,619,688	138,922,227	314,684,717	143,641,890	642,868,522
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	45,901,107	149,617,449	316,588,822	146,714,489	658,821,867

26.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates and foreign exchange rates, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

26.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the carrying value of due to financial institutions. Profit rate risk is managed by the finance department of the Parent Company.

The Group is exposed to profit risk on its floating profit bearing assets and liabilities. As of 30 September 2024, the Group does not have any floating profit bearing assets and liabilities.

The table below details the Group's exposure to profit rate risk.

The sensitivity of Group's profit or loss for the year is the effect of the assumed changes in profit rates financial assets and liabilities held as at the reporting date.

	<i>Change in basis points</i>	<i>Effect on (loss) profit for the year KD</i>
30 September 2024	-	-
30 September 2023	±25	±329,692

Sensitivity to profit rate movements will be on a symmetric basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2024

27 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- ▶ to ensure the Group's ability to continue as a going concern, and
- ▶ to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less bank balances and cash as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2024 and 2023.

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