

**ALAFCO AVIATION LEASE AND FINANCE
COMPANY K.S.C. (CLOSED)**

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

31 MARCH 2012

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of ALAFCO Aviation Lease and Finance Company K.S.C. (Closed) (the "parent company") and its subsidiaries (together, the "group") as at 31 March 2012, and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The management of the parent company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

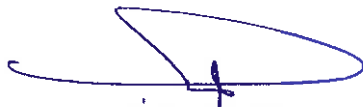
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the parent company during the period ended 31 March 2012 that might have had a material effect on the business of the parent company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



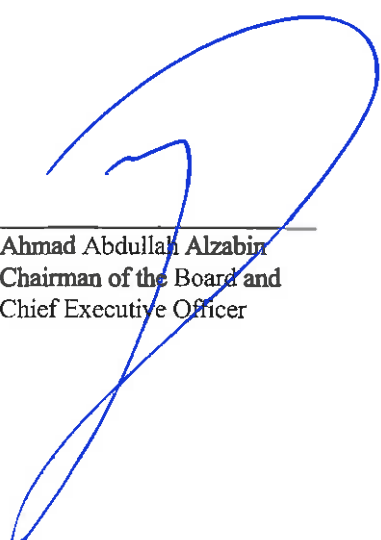
DR. SAUD AL-HUMAIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL


ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2012

		<i>(Audited)</i>	
	<i>31 March</i>	<i>30 September</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Aircraft, engines and equipment	4	522,645,864	532,175,728
Capital advances	5	17,840,129	15,445,984
Receivables		1,231,229	512,766
Cash and balances with financial institutions and short term murabahas	6	32,062,645	32,863,844
TOTAL ASSETS		573,779,867	580,998,322
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	77,977,157	77,977,157
Share premium		1,162,500	1,162,500
Statutory reserve		10,838,604	10,838,604
Foreign currency translation reserve		(2,930,902)	(4,094,848)
Retained earnings		66,910,774	56,441,048
Total equity		153,958,133	142,324,461
LIABILITIES			
Due to financial institutions	8	365,376,160	386,610,625
Security deposits		14,402,609	14,237,392
Maintenance reserve		31,699,743	24,582,495
Other liabilities		8,343,222	13,243,349
Total liabilities		419,821,734	438,673,861
TOTAL EQUITY AND LIABILITIES		573,779,867	580,998,322


 Ahmad Abdullah Alzabin
 Chairman of the Board and
 Chief Executive Officer


 Adel Ahmad Albanwan
 Director

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2012

	Notes	<u>3 months ended 31 March</u>		<u>6 months ended 31 March</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
		<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
Operating lease income		13,390,482	13,387,107	26,356,587	25,679,016
Consultancy and service income		44,748	76,047	126,146	168,856
Murabaha income		220,457	161,896	435,462	297,328
Gain on cancellation of aircraft purchase agreements	9	-	-	13,286,441	19,692,448
Other income		191,741	6,268	194,752	26,401
Staff costs		(371,551)	(523,872)	(767,170)	(960,195)
Depreciation	4	(6,890,102)	(6,206,825)	(13,809,131)	(12,080,748)
Other operating expenses		(115,683)	(287,489)	(785,152)	(627,698)
Finance costs		(2,950,934)	(2,846,224)	(5,929,732)	(5,579,086)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,519,158	3,766,908	19,108,203	26,616,322
Contribution to KFAS		(31,673)	(33,902)	(171,974)	(239,547)
NLST		(87,979)	(94,173)	(477,705)	(665,408)
Zakat		(35,191)	(37,669)	(191,082)	(266,163)
PROFIT FOR THE PERIOD		3,364,315	3,601,164	18,267,442	25,445,204
Basic and diluted earnings per share	3	4.31 Fils	4.62 Fils	23.43 Fils	32.63 Fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2012

	<i>3 months ended 31 March</i>		<i>6 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	3,364,315	3,601,164	18,267,442	25,445,204
Other comprehensive income:				
Foreign currency translation adjustment	<u>(488,147)</u>	<u>(1,388,188)</u>	<u>1,163,946</u>	<u>(2,811,467)</u>
Other comprehensive (expense) income for the period	<u>(488,147)</u>	<u>(1,388,188)</u>	<u>1,163,946</u>	<u>(2,811,467)</u>
Total comprehensive income for the period	<u><u>2,876,168</u></u>	<u><u>2,212,976</u></u>	<u><u>19,431,388</u></u>	<u><u>22,633,737</u></u>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2012

	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 1 October 2011	77,977,157	1,162,500	10,838,604	(4,094,848)	56,441,048	142,324,461
Profit for the period	-	-	-	-	18,267,442	18,267,442
Other comprehensive income for the period	-	-	-	1,163,946	-	1,163,946
Total comprehensive income for the period	-	-	-	1,163,946	18,267,442	19,431,388
Dividend (Note 7)	-	-	-	-	(7,797,716)	(7,797,716)
Balance at 31 March 2012	77,977,157	1,162,500	10,838,604	(2,930,902)	66,910,774	153,958,133
Balance at 1 October 2010	74,263,959	1,162,500	5,929,666	(660,301)	22,056,946	102,752,770
Profit for the period	-	-	-	-	25,445,204	25,445,204
Other comprehensive expense for the period	-	-	-	(2,811,467)	-	(2,811,467)
Total comprehensive (expense) income for the period	-	-	-	(2,811,467)	25,445,204	22,633,737
Issue of bonus shares	3,713,198	-	-	-	(3,713,198)	-
Dividend (Note 7)	-	-	-	-	(3,713,198)	(3,713,198)
Balance at 31 March 2011	77,977,157	1,162,500	5,929,666	(3,471,768)	40,075,754	121,673,309

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2012

	Notes	6 months ended 31 March	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period		18,267,442	25,445,204
Adjustments for:			
Depreciation	4	13,809,131	12,080,748
Murabaha income		(435,462)	(297,328)
Finance costs		5,929,732	5,579,086
		<u>37,570,843</u>	<u>42,807,710</u>
Changes in operating assets and liabilities:			
Receivables		(701,741)	(88,067)
Payables		(4,981,395)	(20,732,160)
Maintenance reserve		6,918,304	5,749,992
		<u>Cash from operations</u>	<u>27,737,475</u>
		<u>Finance cost payments</u>	<u>(5,364,176)</u>
Net cash from operating activities		<u>32,900,365</u>	<u>22,373,299</u>
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	4	(311)	(64,452,482)
Capital advances for purchase of aircraft and engines	5	(5,585,394)	(1,381,563)
Refund of capital advances on cancellation of aircraft purchase agreements	5	3,316,252	4,273,662
Murabaha income received		422,890	280,832
Blocked bank account movement		323,499	(8)
Net cash used in investing activities		<u>(1,523,064)</u>	<u>(61,279,559)</u>
FINANCING ACTIVITIES			
Financing facilities obtained		-	73,672,489
Financing facilities repaid		(24,363,268)	(28,095,645)
Dividend paid	7	(7,797,716)	(3,713,198)
Net cash (used in) from financing activities		<u>(32,160,984)</u>	<u>41,863,646</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(783,683)	2,957,386
Foreign currency translation adjustment		296,235	(834,899)
Cash and cash equivalents at 1 October		31,659,313	19,724,001
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u>31,171,865</u>	<u>21,846,488</u>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

1 ACTIVITIES

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed) (ALAFCO) (the "parent company") is a closed shareholding company registered and incorporated in Kuwait on 10 May 2000 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is engaged in the business of aircraft leasing and providing of management, marketing and consultancy services to aviation related businesses. The parent company is a subsidiary of Kuwait Finance House K.S.C. (the "ultimate parent company") and its registered head office is at Kuwait Chamber of Commerce and Industry Building Annexe, Third Floor, Shuhada Street, Al-Mirqab, Kuwait.

The shares of the parent company and the ultimate parent company are listed on the Kuwait Stock Exchange.

The interim condensed consolidated financial information includes transactions and balances of the parent company and wholly owned Special Purpose Companies ("SPC") (its subsidiaries), together referred to as "the group". All the transactions of SPC's are entered on behalf of ALAFCO and are guaranteed by ALAFCO.

The interim condensed consolidated financial information of the group for the six month period ended 31 March 2012 was authorised for issue in accordance with a resolution of the board of directors on 19 April 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the group is prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. For more details please refer to audited financial statements for the year ended 30 September 2011. In addition, results for the six month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2012.

The functional currency of the group is US dollars. The interim condensed consolidated financial information has been presented in Kuwaiti Dinars.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 30 September 2011, except for the adoption of the following new and amended International Accounting Standards Board ("IASB") Standards.

IAS 24 Related party disclosures (Revised)

The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the group.

IAS 34 Interim Financial Reporting

Improvement to IAS 34 introduces the concept of "Significant events and transactions" to be disclosed in the interim financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. Adoption of this improvement did not have any material impact on the financial position or performance of the group.

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

3 EARNINGS PER SHARE

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

	<i>3 months ended 31 March</i>		<i>6 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit for the period (KD)	3,364,315	3,601,164	18,267,442	25,445,204
Weighted average number of ordinary shares	779,771,570	779,771,570	779,771,570	779,771,570
Basic and diluted earnings per share	4.31 Fils	4.62 Fils	23.43 Fils	32.63 Fils

4 AIRCRAFT, ENGINES AND EQUIPMENT

	<i>Aircraft and engines KD</i>	<i>Furniture and fixtures KD</i>	<i>Office equipment KD</i>	<i>Total KD</i>
Cost				
At 1 October 2011	621,804,431	208,328	58,364	622,071,123
Additions	-	311	-	311
Foreign currency adjustment	5,032,204	1,686	475	5,034,365
At 31 March 2012	626,836,635	210,325	58,839	627,105,799
Depreciation				
At 1 October 2011	89,801,486	53,050	40,859	89,895,395
Depreciation charge for the period	13,785,267	20,201	3,663	13,809,131
Foreign currency adjustment	754,600	471	338	755,409
At 31 March 2012	104,341,353	73,722	44,860	104,459,935
Net carrying amount				
At 31 March 2012	522,495,282	136,603	13,979	522,645,864
At 30 September 2011	532,002,945	155,278	17,505	532,175,728
At 31 March 2011	535,075,157	176,721	21,406	535,273,284

Aircraft with carrying value of KD 489,609,110 (30 September 2011: KD 497,798,031, 31 March 2011: KD 499,266,156) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders (Note 8).

During the current period, the group has revised the residual value of aircraft and engines from 24% to 20% (31 March 2011: 27% to 24%) of the purchase price as management believes that the revised residual value represents a more reliable estimate of the amount that the group will be able to receive currently for the aircraft and engines if the aircraft and engines were already of the age and in condition expected at the end of its useful life.

The impact on depreciation as a result of change in residual value has been accounted for prospectively and has resulted in an increase in depreciation charge for the period by KD 1,023,346 (31 March 2011: KD 665,811) and decrease in net profit for the period by the same amount.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

5 CAPITAL ADVANCES

	<i>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>30 September</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
At 1 October	15,445,984	43,614,335	43,614,335
Additions	5,585,394	6,250,608	1,381,563
Transfer to aircraft, engines and equipment	-	(26,997,528)	(23,666,988)
Refund of capital advances on cancellation of aircraft purchase agreements	(3,316,252)	(6,056,806)	(4,273,662)
Foreign currency adjustment	125,003	(1,364,625)	(1,103,965)
	<u>17,840,129</u>	<u>15,445,984</u>	<u>15,951,283</u>

Capital advances represent progress payments made towards the purchase of aircraft and engines. The commitments in this respect are disclosed in Note 10.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following statement of financial position amounts:

	<i>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>30 September</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
Cash and balances with financial institutions	1,706,540	6,809,913	1,756,102
Short-term murabahas	<u>30,356,105</u>	<u>26,053,931</u>	<u>20,979,500</u>
Cash and balances with financial institutions and short term murabahas	32,062,645	32,863,844	22,735,602
Less: blocked bank account (Note 8)	(890,780)	(1,204,531)	(889,114)
Cash and cash equivalents	<u>31,171,865</u>	<u>31,659,313</u>	<u>21,846,488</u>

In accordance with Islamic Shareea'a, no interest is receivable on cash and balances with financial institutions.

Short-term murabahas represent short-term deals in international commodity transactions which earn a profit rate of 2.8% (30 September 2011: 3%, 31 March 2011: 3.33%).

Blocked bank account represents cash and bank balances with financial institutions which are blocked against the financing facilities obtained (Note 8).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

7 SHARE CAPITAL AND DIVIDEND

The authorised, issued and fully paid share capital as at 31 March 2012 comprises 779,771,570 ordinary shares (30 September 2011: 779,771,570 ordinary shares, 31 March 2011: 779,771,570 ordinary shares) of 100 fils each.

The Annual General Assembly held on 12 December 2011 approved cash dividend of 10% (30 September 2010: 5%) of par value of each share being 10 fils per share (30 September 2010: 5 fils per share) amounting to KD 7,797,716 (30 September 2010: KD 3,713,198) and the issuance of Nil bonus shares (30 September 2010: 37,131,980 bonus shares of 100 fils each in the ratio of 5 shares for every 100 shares).

8 DUE TO FINANCIAL INSTITUTIONS

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2012</i>	<i>30 September</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Balance due to financial institutions – financing lease facilities	365,376,160	383,855,125	392,309,384
Short term financing facility	-	2,755,500	13,862,500
	<u>365,376,160</u>	<u>386,610,625</u>	<u>406,171,884</u>

All the above financing lease facilities are secured over respective aircraft (Note 4) and are denominated in US Dollars. An amount of KD 890,780 (30 September 2011: KD 1,204,531, 31 March 2011: KD 889,114) included in cash and balances with financial institutions is blocked against the above financing lease facilities (Note 6).

9 GAIN ON CANCELLATION OF AIRCRAFT PURCHASE AGREEMENTS

During the period, the parent company entered into agreements for the cancellation of purchase and subsequent lease of six aircraft (31 March 2011: eight aircraft), which resulted in an aggregate net gain of KD 13,286,441 (31 March 2011: KD 19,692,448).

10 CAPITAL COMMITMENTS

Potential commitments in respect of purchase of aircraft and engines amount to KD 1,350,538,081 (30 September 2011: KD 1,240,334,959, 31 March 2011: KD 613,709,712) (Note 5).

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

11 RELATED PARTY TRANSACTIONS

Related parties represent the ultimate parent company, 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.

Significant transactions with related parties included in the interim condensed consolidated financial information are as follows:

Interim condensed consolidated statement of income:

	<i>3 months ended 31 March</i>		<i>6 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Murabaha income	220,457	161,896	435,462	297,328
Consultancy and service income	44,748	76,047	126,146	168,856
<i>Key management compensation:</i>				
Salaries and other short term benefits	215,750	229,033	449,206	458,463

Interim condensed consolidated statement of financial position:

	<i>Ultimate</i>	<i>Other</i>	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>parent</i>	<i>related</i>		<i>30 September</i>	
	<i>company</i>	<i>parties</i>		<i>2011</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Borrowing cost capitalised	-	-	-	358,215	280,331
Receivables	-	77,963	77,963	55,521	102,437
Cash and balances with financial institutions and short term murabahas	815,034	30,356,106	31,171,140	31,658,594	21,845,764
Due to financial institutions	-	-	-	2,755,500	13,862,500
Accrued finance cost	-	-	-	27,762	474,406
Payables	-	-	-	-	15,456
Advance consultancy income	-	-	-	81,701	28,557

12 SEGMENT INFORMATION

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

For the six months ended 31 March 2012:

	<i>Middle East</i>	<i>Asia</i>	<i>Europe</i>	<i>USA</i>	<i>Africa</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	21,245,480	9,843,585	6,606,062	645,626	2,058,635	40,399,388
Segment results	15,136,507	2,190,176	1,055,910	204,931	520,679	19,108,203
Total assets	202,367,652	161,306,386	149,688,220	17,221,854	43,195,755	573,779,867
Total liabilities	20,667,793	18,269,019	302,396,377	74,711,199	3,777,346	419,821,734
Other segmental information:						
Depreciation	4,194,039	4,628,965	3,687,483	261,772	1,036,872	13,809,131
Capital expenditure	311	-	-	-	-	311

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

12 SEGMENT INFORMATION (continued)

For the six months ended 31 March 2011:

	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>USA KD</i>	<i>Africa KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment revenue	28,529,948	8,857,001	6,715,591	-	1,761,509	-	45,864,049
Segment results	22,247,946	2,592,506	1,293,157	-	482,713	-	26,616,322
Total assets	235,111,216	135,471,808	147,246,442	11,038,737	45,385,320	88,396	574,341,919
Total liabilities	211,760,250	89,732,033	114,201,273	-	36,975,054	-	452,668,610
Other segmental information:							
Depreciation	4,149,473	3,661,031	3,431,263	-	838,981	-	12,080,748
Capital expenditure	24,745,649	25,504,838	-	-	37,868,983	-	88,119,470

13 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 by ensuring facilities from the ultimate parent company are available.

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

The table below summarises the maturity profile of the group's liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which include future finance cost payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 March 2012 was as follows:

31 March 2012	<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	11,238,286	30,911,872	179,903,983	189,148,878	411,203,019
Security deposits	350,167	2,708,355	1,783,891	9,560,196	14,402,609
Maintenance reserve	-	1,783,168	11,902,002	18,014,573	31,699,743
Other liabilities (excluding lease rent received in advance)	1,247,156	1,288,355	476,249	2,119	3,013,879
TOTAL LIABILITIES	12,835,609	36,691,750	194,066,125	216,725,766	460,319,250
Capital commitments	-	-	114,959,894	1,235,578,187	1,350,538,081

ALAFCO Aviation Lease and Finance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

13 LIQUIDITY RISK (continued)

30 September 2011	<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	13,882,808	35,491,414	179,203,170	204,573,897	433,151,289
Security deposits	-	347,356	3,927,126	9,962,910	14,237,392
Maintenance reserve	-	-	10,915,982	13,666,513	24,582,495
Other liabilities (excluding lease rent received in advance)	1,555,831	3,228,544	-	446,913	5,231,288
TOTAL LIABILITIES	15,438,639	39,067,314	194,046,278	228,650,233	477,202,464
Capital commitments	-	3,788,813	25,592,728	1,210,953,418	1,240,334,959
31 March 2011	<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	25,504,399	30,410,540	184,178,255	215,915,031	456,008,225
Security deposits	-	-	3,883,870	9,259,497	13,143,367
Maintenance reserve	-	-	7,288,928	10,835,557	18,124,485
Other liabilities (excluding lease rent received in advance)	1,952,599	2,314,596	-	417,794	4,684,989
TOTAL LIABILITIES	27,456,998	32,725,136	195,351,053	236,427,879	491,961,066
Capital commitments	-	8,032,225	6,488,677	599,188,810	613,709,712

14 OPERATING LEASE INCOME

The future minimum lease rent receivable on the operating lease is KD 278,052,872 (30 September 2011: KD 244,316,708, 31 March 2011: KD 259,122,916) and is receivable as follows:

	<i>31 March 2012 KD</i>	<i>(Audited) 30 September 2011 KD</i>	<i>31 March 2011 KD</i>
Income receivable within one year	51,841,600	48,439,157	47,933,161
Income receivable within one year to five years	160,744,539	141,520,761	146,753,279
Income receivable after five years	65,466,733	54,356,790	64,436,476
	278,052,872	244,316,708	259,122,916