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

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2009

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C. (CLOSED)

We have audited the accompanying consolidated financial statements of ALAFCO - Aviation Lease and Finance Company K.S.C. (Closed) (the "parent company") and its Subsidiaries (together, the "group") which comprise the consolidated statement of financial position as at 30 September 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 30 September 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory matters

Furthermore, in our opinion, proper books of account have been kept by the group and the 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 Commercial Companies Law of 1960, as amended and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no material violations of the Commercial Companies Law of 1960, as amended nor of the articles of association have occurred during the year ended 30 September 2009 that might have had a material effect on the business of the group or on its financial position.

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

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

10 November 2009

Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Notes	***2009*** ***KD***	*2008* *KD*
ASSETS			
Property and equipment	4	**299,518,100**	186,338,020
Capital advances	5	**59,538,028**	63,004,251
Receivables	6	**1,650,512**	200,494
Finance lease receivables	7	**1,817,239**	2,128,285
Cash and balances with financial institutions and short term murabahas	8	**27,706,133**	9,264,030
TOTAL ASSETS		**390,230,012**	260,935,080
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	**68,762,925**	65,488,500
Share premium	9	**1,162,500**	1,162,500
Statutory reserve	10	**4,795,522**	3,724,221
Foreign currency translation reserve		**182,719**	(5,965,927)
Retained earnings		**18,654,063**	16,738,010
Total equity		**93,557,729**	81,147,304
LIABILITIES			
Due to financial institutions	11	**224,886,822**	121,720,062
Security deposits	12	**30,782,247**	14,798,339
Maintenance reserve	13	**7,031,761**	5,763,539
Other liabilities	14	**33,971,453**	37,505,836
Total liabilities		**296,672,283**	179,787,776
TOTAL EQUITY AND LIABILITIES		**390,230,012**	260,935,080

Ahmad Abdullah Alzabin
Chairman of the Board and
Chief Executive Officer

Adel Ahmad Albanwan
Director

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year ended 30 September 2009

	Notes	***2009*** ***KD***	*2008* *KD*
Operating lease income		**26,290,523**	24,277,821
Consultancy and service income		**561,034**	2,839,812
Finance lease income		**141,217**	164,793
Murabaha income		**102,909**	339,087
Gain on disposal of available for sale investments		**-**	313,107
Gain on disposal of property and equipment		**3,173,452**	-
Other income		**133,783**	237,222
Staff costs		**(1,297,315)**	(1,042,934)
Depreciation	4	**(11,193,858)**	(9,465,464)
Finance costs		**(6,294,241)**	(6,552,932)
Other operating expenses		**(904,498)**	(550,007)
Directors' fees		**(60,000)**	(60,000)
PROFIT BEFORE CONTRIBUTION TO ZAKAT, KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND NATIONAL LABOUR SUPPORT TAX (NLST)		**10,653,006**	10,500,505
Contribution to Zakat		**(107,130)**	(86,104)
Contribution to KFAS		**(96,443)**	(95,045)
Contribution to NLST		**(267,825)**	(264,013)
PROFIT FOR THE YEAR		**10,181,608**	10,055,343
Basic and diluted earnings per share	3	**14.81 fils**	14.62 fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2009

	2009	*2008*
	KD	*KD*
Profit for the year	**10,181,608**	10,055,343
Other comprehensive income		
Foreign currency translation adjustment	**6,148,646**	(3,776,157)
Change in fair value of available for sale investments	**-**	313,107
Net realised gains transferred to consolidated statement of income on disposal of available for sale investments	**-**	(313,107)
Other comprehensive income for the year	**6,148,646**	(3,776,157)
Total comprehensive income for the year	**16,330,254**	6,279,186

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 30 September 2009

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
Balance at 1 October 2008	65,488,500	1,162,500	3,724,221	(5,965,927)	16,738,010	81,147,304
Total comprehensive income for the year	-	-	-	6,148,646	10,181,608	16,330,254
Zakat (on behalf of shareholders)	-	-	-	-	(645,404)	(645,404)
Issue of bonus shares (Note 9)	3,274,425	-	-	-	(3,274,425)	-
Transfer to statutory reserve	-	-	1,071,301	-	(1,071,301)	-
Dividend (Note 9)	-	-	-	-	(3,274,425)	(3,274,425)
Balance at 30 September 2009	**68,762,925**	**1,162,500**	**4,795,522**	**182,719**	**18,654,063**	**93,557,729**
Balance at 1 October 2007	62,370,000	1,162,500	2,668,171	(2,189,770)	14,551,919	78,562,820
Total comprehensive income for the year	-	-	-	(3,776,157)	10,055,343	6,279,186
Zakat (on behalf of shareholders)	-	-	-	-	(576,202)	(576,202)
Issue of bonus shares (Note 9)	3,118,500	-	-	-	(3,118,500)	-
Transfer to statutory reserve	-	-	1,056,050	-	(1,056,050)	-
Dividend (Note 9)	-	-	-	-	(3,118,500)	(3,118,500)
Balance at 30 September 2008	65,488,500	1,162,500	3,724,221	(5,965,927)	16,738,010	81,147,304

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2009

	Notes	**2009** **KD**	2008 KD
OPERATING ACTIVITIES			
Profit for the year		**10,181,608**	10,055,343
Adjustments for:			
Depreciation	4	**11,193,858**	9,465,464
Murabaha income		**(102,909)**	(339,087)
Finance costs		**6,294,241**	6,552,932
Gain on disposal of available for sale investments		**-**	(313,107)
Gain on disposal of property and equipment		**(3,173,452)**	-
		24,393,346	25,421,545
Changes in operating assets and liabilities:			
Receivables		**(728,683)**	180,110
Finance lease receivable		**473,254**	413,042
Payables		**7,845,020**	12,695,300
Maintenance reserve		**828,952**	(392,351)
Cash from operations		**32,811,889**	38,317,646
Finance cost payments		**(6,322,741)**	(6,894,555)
Net cash from operating activities		**26,489,148**	31,423,091
INVESTING ACTIVITIES			
Purchase of property and equipment	4	**(120,148,586)**	(176,370)
Proceeds from disposal of property and equipment		**40,286,012**	-
Capital advances for purchase of aircraft and engines	5	**(19,681,018)**	(38,176,545)
Proceeds from disposal of available for sale investments		**-**	1,724,242
Murabaha income received		**110,007**	379,382
Blocked bank account movement		**(983,054)**	-
Net cash used in investing activities		**(100,416,639)**	(36,249,291)
FINANCING ACTIVITIES			
Financing facilities obtained		**106,697,789**	15,981,000
Financing facilities repaid		**(12,807,985)**	(7,397,936)
Dividend paid	9	**(3,274,425)**	(3,118,500)
Net cash from financing activities		**90,615,379**	5,464,564
INCREASE IN CASH AND CASH EQUIVALENTS		**16,687,888**	638,364
Foreign currency adjustment		**706,063**	(436,117)
Cash and cash equivalents at 1 October		**8,409,903**	8,207,656
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	**25,803,854**	8,409,903

The attached notes 1 to 22 form part of these consolidated financial statements.

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. (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 parent company's shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements include 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 consolidated financial statements of the group for the year ended 30 September 2009 were authorised for issue in accordance with a resolution of the board of directors on 10 November 2009.

2 SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and applicable requirements of Ministerial Order No. 18 of 1990.

The functional currency of the group is US dollars. The consolidated financial statements have been presented in Kuwaiti Dinars.

Changes in accounting policies
Except as discussed below, the accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year.

During the year, the group early adopted IAS 1: Presentation of financial statements (Revised) and IFRS 8: Operating segments; these standards are otherwise applicable to the group for the accounting period beginning from 1 October 2009. The adoption of the standards did not have any effect on the financial performance or position of the group. However, it gave rise to changes in the presentation of the consolidated financial statements and additional disclosures as detailed below.

IAS 1, Presentation of Financial Statements (Revised):
The revised standard requires owner changes in equity to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8, Operating segments
The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

IAS 23 (Revised 2007): Borrowing costs
The revised standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. The revision did not have any impact on the accounting policies and disclosure requirements in the group's consolidated financial statements as the group was already using the alternative treatment available in IAS 23 of capitalising the borrowing costs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries for the year ended 30 September 2009. Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant intra-group balances and transactions, and any unrealised gains and losses arising from the inter-group transactions, are eliminated in preparing the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 and ALAFCO Labuan Aircraft Leasing Limited in Labuan, Malaysia as listed in the following table for the year ended 30 September 2009.

Name	*Date of incorporation*	*Share capital US$/Euro*	*Activities*
Osprey Aircraft Leasing Limited (Four)	4 September 2002	US$ 2	Purchasing, financing, leasing and subleasing of aircraft
Osprey Aircraft Leasing Limited (Eight)	7 April 2003	US$ 2	Purchasing, financing, leasing and subleasing of aircraft
Osprey Aircraft Leasing Limited (Nine)	7 April 2003	US$ 2	Purchasing, financing, leasing and subleasing of aircraft
ALAFCO Labuan Aircraft Leasing Limited	26 May 2004	US$ 1	Purchasing, sale, lease, obtaining lease finance and refinancing of aircraft
Osprey Aircraft Leasing Limited (Ten)	10 March 2004	US$ 2	Purchasing, financing, leasing and subleasing of aircraft
Osprey Aircraft Leasing Limited (Eleven)	10 March 2004	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Twelve)	19 May 2005	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Thirteen)	19 May 2005	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Fourteen)	12 July 2005	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Fifteen)	30 December 2005	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Sixteen)	30 December 2005	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Seventeen)	3 April 2007	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Eighteen)	3 June 2009	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.
Alafco Cyprus Aircraft Leasing Limited	17 August 2009	Euro 1000	Purchasing, financing, leasing and subleasing of aircraft.
Osprey Aircraft Leasing Limited (Nineteen)	25 September 2009	US$ 2	Purchasing, financing, leasing and subleasing of aircraft.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property 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	20 years (from the date of original manufacture)
• Furniture and fixtures	5 years
• Office equipment	5 years

An item of property 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 asset's residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate.

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

Leases
Group as lessee
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

Group as lessor
Leases where the risks and benefits of ownership of the asset are transferred to the lessees are classified as finance leases. Amounts due from lessee under finance leases are recorded as receivables. Finance lease receivable is initially recognised at an amount equal to present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of lease term. Finance lease payments are allocated between finance lease income and reduction of finance lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

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 expiry of lease term excess maintenance reserve is reported in the consolidated statement of income as miscellaneous income.

Operating lease income received in advance
Operating lease rentals received in advance are carried at net present value of future lease rentals.

Borrowing costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised, if they are directly attributable to a quality 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in 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 weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Revenue recognition
- Operating lease income is recognised on a straight line basis in accordance with the lease agreement.
- Consultancy and service income is recognised when services are rendered.
- Income from assets leased on finance lease is recognised on a constant periodic return on the net investment outstanding.
- Murabaha income is recognised on effective yield basis.

Zakat
Zakat is calculated at 2.577% on the opening reserves of the group (excluding foreign exchange translation reserve) plus profit for the year (excluding net gain/loss on foreign exchange, and Zakat payable in accordance with requirements of Law No. 45 of 2006) before transfers to statutory reserve for the year. Zakat will be paid under the direction of the ultimate parent company’s Fatwa and Shareea’a Supervisory Board. Zakat is charged to retained earnings.

The group has also provided 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.

Provision for impairment of assets
An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset’s net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each reporting date to determine whether there is objective evidence that a specific asset, or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated statement of income.

Recognition and de-recognition of financial assets and liabilities
A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to cash flows from the financial asset expire, the group has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership but has no control over the asset.

A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgement and estimates principally in, but not limited to, the determination of impairment, depreciation, and residual value of property and equipment.

Impairment of property 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.

Depreciation of property and equipment

Management assigns useful lives and residual values to property 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 property and equipment

In accordance with International Accounting Standard No. 16 (revised), management decides on the appropriateness of residual value used at each year end. 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 significantly 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.

3 EARNINGS PER SHARE

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

	2009	*2008*
Profit for the year (KD)	**10,181,608**	10,055,343
Weighted average number of ordinary shares	**687,629,250**	687,629,250
Basic and diluted earnings per share	**14.81 fils**	14.62 fils

Basic and diluted earnings per share reported for the year ended 30 September 2008 was 15.35 fils before retroactive adjustments to the number of shares following the bonus issue (Note 9).

4 PROPERTY AND EQUIPMENT

	Aircraft and engines KD	*Furniture and fixtures KD*	*Office equipment KD*	*Total KD*
Cost				
At 1 October 2008	222,662,304	47,476	47,640	222,757,420
Additions	120,144,212	860	3,514	120,148,586
Transfer from capital advances (Note 5)	27,949,141	-	-	27,949,141
Disposals	(37,826,435)	-	-	(37,826,435)
Foreign currency adjustment	16,970,320	3,618	3,631	16,977,569
At 30 September 2009	**349,899,542**	**51,954**	**54,785**	**350,006,281**
Depreciation				
At 1 October 2008	36,353,769	43,155	22,476	36,419,400
Depreciation charge for the year	11,184,484	1,696	7,678	11,193,858
Foreign currency adjustment	2,869,840	3,303	1,780	2,874,923
At 30 September 2009	**50,408,093**	**48,154**	**31,934**	**50,488,181**
Net carrying amount				
At 30 September 2009	**299,491,449**	**3,800**	**22,851**	**299,518,100**

	Aircraft and engines KD	*Furniture and fixtures KD*	*Office equipment KD*	*Total KD*
Cost				
At 1 October 2007	233,696,537	49,865	32,039	233,778,441
Additions	159,330	-	17,040	176,370
Foreign currency adjustment	(11,193,563)	(2,389)	(1,439)	(11,197,391)
At 30 September 2008	222,662,304	47,476	47,640	222,757,420
Depreciation				
At 1 October 2007	28,384,115	43,801	18,751	28,446,667
Depreciation charge for the year	9,459,335	1,473	4,656	9,465,464
Foreign currency adjustment	(1,489,681)	(2,119)	(931)	(1,492,731)
At 30 September 2008	36,353,769	43,155	22,476	36,419,400
Net carrying amount				
At 30 September 2008	186,308,535	4,321	25,164	186,338,020

Aircraft with carrying value of KD 258,418,961 (2008: KD 145,864,994) are subject to finance lease and are mortgaged against the financing facilities with the legal title of the same with the lender (Note 11).

In accordance with International Accounting Standard No. 16 (revised), management obtained independent published valuations, based on certain industry valuation techniques, of its fleet of aircraft to determine the residual values at 30 September 2009. On a conservative basis, management has adopted a policy of discounting these valuations as it does not believe that these amounts would be realisable in open market transactions. Based on the above exercise, the residual value of the fleet approximately 30% (in aggregate) (2008: 32%) of the purchase cost of the fleet.

5 CAPITAL ADVANCES

	2009	*2008*
	KD	*KD*
At 1 October	**63,004,251**	26,076,781
Additions	**19,681,018**	38,176,545
Transfer to property and equipment (Note 4)	**(27,949,141)**	-
Foreign currency adjustment	**4,801,900**	(1,249,075)
	59,538,028	63,004,251

Capital advances represent progress payments made towards the purchase of aircraft and engines. The commitment in this respect is disclosed in Note 16.

Included under capital advances are progress payments of KD 5,761,665 (USD 20,100,000) (2008: KD 12,025,703 (USD 45,150,000)) made towards aircraft sold to a related party and the amount received from the related party is included in ‘advance payments from a related party’ (Note 17).

During the year ended 30 September 2009, KD 754,142 (2008: KD 441,272) of borrowing costs relating to progress payments made towards the purchase of aircraft has been capitalized within capital advances.

6 RECEIVABLES

	2009	*2008*
	KD	*KD*
Accrued income	**2,387**	21,570
Prepaid expenses	**105,537**	58,826
Other receivables	**410,138**	120,098
Advance to suppliers	**1,132,450**	-
	1,650,512	200,494

7 FINANCE LEASE RECEIVABLES

The group has entered into a finance lease agreement for an aircraft. The amount receivable is denominated in US Dollars and the term of lease is three years from July 2007.

	2009	*2008*
	KD	*KD*
Gross investment in finance lease receivables:		
Due within one year	**1,895,043**	572,120
Due after one year but not more than three years	-	1,760,840
	1,895,043	2,332,960
Less: unearned finance income from finance lease	**(75,954)**	(217,259)
Add: foreign currency adjustment	**(1,850)**	12,584
Present value of lease payments	**1,817,239**	2,128,285

The profit rate inherent in the leases is fixed at the contract date for the entire lease term. The effective profit rate contracted is 7% per annum.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following:

	2009 *KD*	*2008* *KD*
Cash and balances with financial institutions	**3,828,186**	1,047,132
Short-term murabahas	**23,877,947**	8,216,898
Cash and balances with financial institutions and short term murabahas	**27,706,133**	9,264,030
Less: blocked bank account	**(1,902,279)**	(854,127)
Cash and cash equivalents	**25,803,854**	8,409,903

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 1.40 % per annum (2008: 2.43%).

Blocked bank account represents cash and balances with financial institutions which are blocked as a security against financing facilities obtained (Note 11).

9 EQUITY

Share capital
The authorised, issued and fully paid share capital as at 30 September 2009 comprises 687,629,250 ordinary shares (30 September 2008: 654,885,000 ordinary shares) of 100 fils each.

Subsequent to the date of consolidated statement of financial position, the directors have proposed bonus share of 8% of the paid up share capital which is subject to the approval of the shareholders at the annual general meeting.

Share premium
Share premium is not available for distribution.

Issue of bonus share
The Annual General Assembly held on 17 December 2008 approved the issuance of 32,744,250 bonus shares of 100 fils each in the ratio of 5 shares for every 100 shares (30 September 2008: 31,185,000 bonus shares of 100 fils each in the ratio of 5 shares for every 100 shares) to parent company's equity shareholders on the register as of 17 December 2008.

Cash dividend
The Annual General Assembly held on 17 December 2008 also approved cash dividend of 5% (5 fils per share) amounting to KD 3,274,425 (30 September 2008: KD 3,118,500) to the parent company's equity shareholders on the register as of 17 December 2008.

10 STATUTORY RESERVE

As required by the Commercial Companies Law and the parent company's Articles of Association, 10% of the profit for the year before directors' fees and contribution to Zakat, KFAS and NLST has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

11 DUE TO FINANCIAL INSTITUTIONS

	2009	*2008*
	KD	*KD*
Balance due to financial institutions - financing lease facilities	**197,655,072**	105,739,062
Short term financing facilities	**27,231,750**	15,981,000
	224,886,822	121,720,062

The instalments payable are due as follows:

	2009	*2008*
	KD	*KD*
Instalments payable within one year	**42,424,743**	33,865,500
Instalments payable within one year to five years	**92,418,052**	49,313,109
Instalments payable after five years	**90,044,027**	38,541,453
	224,886,822	121,720,062

All financing facilities are secured over aircraft (Note 4) and are denominated in US Dollars. An amount of KD 1,902,279 (2008: KD 854,127) included in cash and balances with financial institutions is blocked against the above financing facilities (Note 8).

12 SECURITY DEPOSITS

Security deposits represent amounts paid by the lessees/buyers as a security in accordance with the lease/sale 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.

13 MAINTENANCE RESERVE

	2009	*2008*
	KD	*KD*
Balance at 1 October	**5,763,539**	6,465,591
Additions	**3,261,043**	1,457,163
Utilisation	**(2,439,378)**	(1,855,009)
Foreign exchange adjustment	**446,557**	(304,206)
Balance at 30 September	**7,031,761**	5,763,539

The maintenance reserves are denominated in US Dollars.

14 OTHER LIABILITIES

	2009	*2008*
	KD	*KD*
Operating lease income received in advance	**17,980,603**	21,328,369
Accrued expenses	**3,012,253**	2,126,669
Payable to a supplier	**2,579,850**	-
Zakat payable	**753,545**	661,117
Advances from customers	**9,645,202**	13,389,681
	33,971,453	37,505,836

14 OTHER LIABILITIES (continued)

Advances from customers includes USD 6,152,082 (2008: KD 13,389,681) received from a related party (Note 5 and 17).

Operating lease income received in advance is stated at its present value discounted over the term of 7 years at 6% per annum, which is the borrowing rate relating to the aircraft purchased.

15 OPERATING LEASE INCOME

The future minimum lease rent receivable on the operating lease is KD 150,357,670 (2008: KD 101,132,751) and is receivable as follows:

	2009 ***KD***	*2008* *KD*
Income receivable within one year	**29,304,652**	20,488,752
Income receivable within one year to five years	**91,116,776**	60,720,996
Income receivable after five years	**29,936,242**	19,923,003
	150,357,670	101,132,751

16 CAPITAL ADVANCES/ COMMITMENTS

There are potential commitments in respect of purchase of aircraft and engines amounting to KD 1,018,465,567 (2008: KD 1,053,490,685) (Note 5).

Obligation under finance lease
Future minimum lease payments under finance lease agreements together with the present value of the net minimum lease payments are as follows:

	2009		*2008*	
	Minimum payments KD	***Present value of payments KD***	*Minimum payments KD*	*Present value of payments KD*
Within one year	**21,622,336**	**15,192,993**	22,549,596	17,884,500
After one year but not more than five years	**113,701,461**	**92,418,052**	57,474,719	49,313,109
After 5 years	**118,734,870**	**90,044,027**	51,780,106	38,541,453
Total minimum lease payments	**254,058,667**	**197,655,072**	131,804,421	105,739,062
Less: Amounts representing finance charges	**(56,403,595)**	**-**	(26,065,359)	-
Present value of minimum lease payments	**197,655,072**	**197,655,072**	105,739,062	105,739,062

17 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the group, 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 consolidated financial statements are as follows:

17 RELATED PARTY TRANSACTIONS (continued)

Consolidated statement of income:

	Ultimate parent company KD	*Other related parties KD*	***2009 KD***	*2008 KD*
Murabaha income	**102,909**	-	**102,909**	339,087
Consultancy and service income	-	**561,034**	**561,034**	2,839,812
Finance costs	**258,020**	**-**	**258,020**	-
Gain on disposal of property and equipment	**-**	**3,173,452**	**3,173,452**	**-**
Key management compensation:				
Salaries and other short term benefits	**-**	**850,663**	**850,663**	649,450
Directors fees	**-**	**60,000**	**60,000**	60,000

Consolidated statement of financial position:

	Ultimate parent company KD	*Other related parties KD*	***2009 KD***	*2008 KD*
Borrowing cost capitalised	**143,325**	**-**	**143,325**	**-**
Receivables	**2,387**	**-**	**2,387**	97,820
Cash and balances with a financial institution and short term murabaha	**25,803,104**	**-**	**25,803,104**	8,409,153
Due to financial institution	**14,332,500**	**-**	**14,332,500**	**-**
Accrued finance cost	**258,020**	**-**	**258,020**	**-**
Advance payment from a related party (Note 5 & 14)	**-**	**6,152,082**	**6,152,082**	13,389,681

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled from the date of financial position.

The maturity profile of assets and liabilities at 30 September are as follows:

30 September 2009

ASSETS	*Less than 1 year KD*	*Over 1 year KD*	***Total KD***
Property and equipment	-	299,518,100	**299,518,100**
Capital advances	17,834,216	41,703,812	**59,538,028**
Receivables	1,650,512	**-**	**1,650,512**
Finance lease receivables	1,817,239	**-**	**1,817,239**
Cash and balances with financial institutions and short term murabahas	27,706,133	**-**	**27,706,133**
Total assets	**49,008,100**	**341,221,912**	**390,230,012**

	Less than 1 year KD	*Over 1 year KD*	***Total KD***
LIABILITIES			
Due to financial institutions	42,424,743	182,246,079	**224,886,822**
Security deposits	957,412	29,824,835	**30,782,247**
Maintenance reserve	-	7,031,761	**7,031,761**
Other liabilities	9,595,578	24,375,875	**33,971,453**
Total liabilities	**52,977,733**	**243,694,550**	**296,672,283**

18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 September 2008	*Less than 1 year KD*	*Over 1 year KD*	*Total KD*
ASSETS			
Property and equipment	23,266,380	163,071,640	186,338,020
Capital advances	24,661,907	38,342,344	63,004,251
Receivables	200,494	-	200,494
Finance lease receivables	440,287	1,687,998	2,128,285
Cash and balances with financial institutions and short term murabahas	9,264,030	-	9,264,030
Total assets	57,833,098	203,101,982	260,935,080
LIABILITIES			
Due to financial institutions	33,865,500	87,854,562	121,720,062
Security deposits	2,346,754	12,451,585	14,798,339
Maintenance reserve	-	5,763,539	5,763,539
Other liabilities	8,166,137	29,339,699	37,505,836
Total liabilities	44,378,391	135,409,385	179,787,776

19 SEGMENT INFORMATION

The group is engaged primarily in only one business segment i.e. aircraft leasing segment. However, for management purpose the group is organized into six geographical segments.

Year ended 30 September 2009

	Middle East KD	***Asia KD***	***Europe KD***	***USA KD***	***Africa KD***	***Unallocated KD***	***Total KD***
Segment revenue	**7,297,480**	**15,911,946**	**6,911,235**	-	**282,257**	-	**30,402,918**
Segment results	**4,171,632**	**4,907,576**	**1,516,440**	-	**57,358**	-	**10,653,006**
Total assets	**89,374,944**	**117,344,872**	**155,210,928**	**18,428,023**	**9,100,884**	**770,361**	**390,230,012**

Year ended 30 September 2008

	Middle East KD	*Asia KD*	*Europe KD*	*USA KD*	*Africa KD*	*Unallocated KD*	*Total KD*
Segment revenue	5,908,934	15,510,460	6,752,448	-	-	-	28,171,842
Segment results	3,813,319	5,799,025	888,161	-	-	-	10,500,505
Total assets	32,325,210	102,484,606	104,203,318	21,058,638	-	863,308	260,935,080

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of receivables, finance lease receivables and cash and balances with financial institutions and short term murabahas. Financial liabilities consist of amounts due to financial institutions, security deposits, maintenance reserve and other liabilities.

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

21 RISK MANAGEMENT

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, foreign currency risk and prepayment risk. 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.

21.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets subject to credit risk consist principally of receivables (Note 6), finance lease receivable (Note 7), cash and cash equivalents (Note 8). The maximum exposure to credit risk is the carrying amount as at the balance sheet date.

The group's cash and cash equivalents are mainly with the ultimate parent company, a financial institution of high repute. Similarly, receivables are from airlines of high reputation. The group has not experienced any delay in payments in the past. Consequently, the group is not exposed to significant credit risk.

As at 30 September 2009, the group does not have any financial asset which is past due or impaired (2008: Nil).

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

Commitments in respect of purchase of aircraft (Note 16) 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 includes future finance cost payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 30 September was as follows:

30 September 2009	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***More than 5 years KD***	***Total KD***
Due to financial institutions	**6,217,088**	**43,318,939**	**113,701,461**	**118,734,870**	**281,972,358**
Security deposits	**573,300**	**384,112**	**3,532,661**	**26,292,174**	**30,782,247**
Maintenance reserve	-	**-**	**3,866,875**	**3,164,886**	**7,031,761**
Other liabilities	**1,301,171**	**4,722,175**	-	**322,302**	**6,345,648**
TOTAL LIABILITIES	**8,091,559**	**8,425,226**	**121,110,997**	**148,514,232**	**326,142,014**
Capital commitments	**65,461,414**	**78,881,691**	**81,195,362**	**792,927,100**	**1,018,465,567**

21 RISK MANAGEMENT (continued)

21.2 LIQUIDITY RISK (continued)

30 September 2008	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*More than 5 years KD*	*Total KD*
Due to financial institutions	4,701,446	33,992,068	57,474,719	51,780,106	147,948,339
Security deposits	-	2,346,754	4,369,473	8,082,112	14,798,339
Maintenance reserve	-	-	5,763,539	-	5,763,539
Other liabilities	2,511,521	27,579	-	248,686	2,787,786
TOTAL LIABILITIES	7,212,967	36,366,401	67,607,731	60,110,904	171,298,003
Capital commitments	11,832,271	95,452,023	205,597,412	740,608,979	1,053,490,685

21.3 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.

21.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. Profit rate risk is managed by the finance department of the parent company. It is the group's policy to manage its profit rate risk.

The group is exposed to profit risk on its profit bearing assets and liabilities.

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

The sensitivity of group's profit for one year is the effect of the assumed changes in profit rates on profit bearing financial assets and liabilities held as at the date of statement of financial position.

	Increase in basis points	*Effect on profit for the year KD*
30 September 2009	**+25**	**(242,010)**
30 September 2008	+25	(170,026)

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

21.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed on the basis of limits determined by management and a continuous assessment of the group's open positions, current and expected exchange rate movements.

21 RISK MANAGEMENT (continued)

21.3 MARKET RISK (continued)

21.3.2 Foreign currency risk (continued)

The effect on profit for the year (due to change in the fair value of monetary assets and liabilities) is not significant. The effect on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Increase in currency rate by 3 %	
	Effect on equity	
	2009	*2008*
	KD	*KD*
US Dollars	**2,520,645**	2,150,051

21.3.3 Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

22 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 30 September 2009 and 30 September 2008.

The group monitors capital using a gearing ratio, which is net debt divided by capital. The group includes within net debt, due to financial institutions, less cash and cash equivalents. Capital includes total equity add/less foreign currency translation reserve.

	2009	*2008*
	KD	*KD*
Due to financial institutions	**224,886,822**	121,720,062
Less: Cash and balances with financial institutions and short term murabahas	**(27,706,133)**	(9,264,030)
Net debt	**197,180,689**	112,456,032
Total equity	**93,557,729**	81,147,304
Add: Foreign currency translation reserve	**(182,719)**	5,965,927
Capital	**93,375,010**	87,113,231
Gearing ratio	**2.11**	1.29