

ABU DHABI AVIATION

**Report and consolidated
financial statements for the year
ended 31 December 2009**

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Abu Dhabi
Aviation

أبو ظبي

ABU DHABI AVIATION

Report and consolidated financial statements for the year ended 31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Abu Dhabi Aviation
Abu Dhabi, UAE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Abu Dhabi Aviation and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 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 consolidated financial statements

Management 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.

Auditor's 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 auditor's judgment, 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 in 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 management, 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 AUDITOR'S REPORT (CONTINUED)

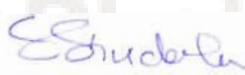
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and of 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 requirements

Also, in our opinion, proper books of account are maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
23 February 2010

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Consolidated statement of financial position
as at 31 December 2009


	Notes	2009 AED'000	2008 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,238,329	2,064,413
Investment property	6	102,350	85,135
Investments	7	46,291	39,779
Non-current portion of finance lease receivable	8	9,045	13,937
Total non-current assets		2,396,015	2,203,264
Current assets			
Inventories		186,538	167,866
Trade receivables	9	400,909	365,094
Current portion of finance lease receivable	8	3,624	4,000
Prepayments and other current assets	13	118,696	154,177
Investments	7	-	3,680
Bank balances and cash	14	60,780	168,592
Total current assets		770,547	863,409
Total assets		3,166,562	3,066,673
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	404,352	404,352
Share premium		112,320	112,320
Reserves	16	683,149	562,562
Retained earnings		139,485	132,937
Equity attributable to equity owners of the Company		1,339,306	1,212,171
Non-controlling interests	18	152,340	147,279
Total equity		1,491,646	1,359,450
Non-current liabilities			
Provision for end of service benefits	19	79,261	76,501
Non-current portion of term loan	20	722,210	553,578
Deferred income	21	453,024	472,302
Due to a related party	12	86,253	95,518
Total non-current liabilities		1,340,748	1,197,899
Current liabilities			
Trade payables	22	85,205	113,552
Accrued expenses and other current liabilities		78,430	81,507
Current portion of term loan	20	66,525	99,686
Bank overdrafts	14	104,008	214,579
Total current liabilities		334,168	509,324
Total liabilities		1,674,916	1,707,223
Total equity and liabilities		3,166,562	3,066,673



Chairman



Director



General Manager

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of income
for the year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
Revenue		1,438,228	1,080,265
Operating costs	23	(1,120,044)	(795,045)
Operating profit for the year		318,184	285,220
General and administrative expenses	24	(160,908)	(134,685)
Fair value gain on investment property	6	8,773	1,969
Income from investment property		5,398	6,529
Property rental expense		(2,962)	(3,050)
Gain on disposal of investment property		-	1,837
Fair value loss on investments at fair value through profit or loss	7	-	(8,819)
Impairment loss on available-for-sale investments	7	-	(8,201)
Impairment loss on property, plant and equipment	5	(20,804)	-
Loss on sale of investments	7	-	(1,370)
Amortisation of deferred income	21	19,278	9,639
Finance income		6,365	2,531
Finance cost		(41,276)	(37,130)
Other income	25	6,294	1,789
Net profit for the year		138,342	116,259
Attributable to:			
Equity owners of the Company		133,494	106,672
Non-controlling interests	18	4,848	9,587
		138,342	116,259
Basic and diluted earnings per share	26	0.33	0.26

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
Net profit for the year		138,342	116,259
Other comprehensive income/(loss)			
Exchange difference arising on the translation of investment property	6	8,442	(31,526)
Gain arising on fair valuation of investments at fair value through other comprehensive income	7	6,512	-
Directors' remuneration	17	(1,350)	-
Loss arising on fair valuation of available-for-sale investments	7	-	(66,984)
Release from translation reserve		-	(12,494)
Impairment loss on available-for-sale investments	7	-	8,201
Other comprehensive income/(loss) for the year		13,604	(102,803)
Total comprehensive income for the year		151,946	13,456
Total comprehensive income attributable to:			
Equity owners of the Company		147,098	3,869
Non-controlling interests		4,848	9,587
		151,946	13,456

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2009**

	Share capital AED'000	Share premium AED'000	Reserves AED'000	Retained earnings AED'000	Attributable to owners of the Company AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2008	404,352	112,320	567,302	60,779	1,144,753	-	1,144,753
Net profit for the year	-	-	-	106,672	106,672	9,587	116,259
Other comprehensive loss for the year	-	-	(102,803)	-	(102,803)	-	(102,803)
Total comprehensive income/(loss)	-	-	(102,803)	106,672	3,869	9,587	13,456
Effect of change from joint venture to a subsidiary	-	-	(3,787)	(35,130)	(38,917)	-	(38,917)
Equity arising upon control of a subsidiary	-	-	11,462	91,004	102,466	-	102,466
Non-controlling interests arising upon control of subsidiaries	-	-	-	-	-	139,377	139,377
Dividends paid to non-controlling interests	-	-	-	-	-	(1,685)	(1,685)
Transfer to legal reserve	-	-	10,666	(10,666)	-	-	-
Transfer to fleet replacement reserve	-	-	39,861	(39,861)	-	-	-
Transfer to insurance reserve	-	-	39,861	(39,861)	-	-	-
Balance at 1 January 2008	404,352	112,320	562,562	132,937	1,212,171	147,279	1,359,450

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2009 (continued)**

	Share capital AED'000	Share premium AED'000	Reserves AED'000	Retained earnings AED'000	Attributable to owners of the Company AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2009	404,352	112,320	562,562	132,937	1,212,171	147,279	1,359,450
Effect of change in accounting policy for classification and measurement of financial assets (note 2.1)	-	-	(8,201)	8,201	-	-	-
Balance at 1 January 2009 as restated	404,352	112,320	554,361	141,138	1,212,171	147,279	1,359,450
Net profit for the year	-	-	-	133,494	133,494	4,848	138,342
Other comprehensive income/(loss) for the year	-	-	14,954	(1,350)	13,604	-	13,604
Total comprehensive income	-	-	14,954	132,144	147,098	4,848	151,946
Dividends	-	-	-	(20,217)	(20,217)	-	(20,217)
Equity arising upon control of a subsidiary	-	-	-	254	254	213	467
Transfer to legal reserve	-	-	13,834	(13,834)	-	-	-
Transfer to fleet replacement reserve	-	-	25,000	(25,000)	-	-	-
Transfer to insurance reserve	-	-	25,000	(25,000)	-	-	-
Transfer to general reserve	-	-	50,000	(50,000)	-	-	-
Balance at 31 December 2009	404,352	112,320	683,149	139,485	1,339,306	152,340	1,491,646

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows
for the year ended 31 December 2009**

	Notes	2009 AED'000	2008 AED'000
Operating activities			
Net profit for the year		138,342	116,259
Adjustments for:			
Depreciation of property, plant and equipment	5	119,412	71,532
Allowance for doubtful debts	9	24,505	14,787
Impairment loss on property, plant and equipment	5	20,804	-
Impairment loss on available-for-sale investments		-	8,201
Net transfer to provision for end of service benefits		2,760	14,665
Amortisation of deferred income	21	(19,278)	(9,639)
Loss on sale of investments at fair value through profit or loss	7	-	1,370
Fair value loss on investments at fair value through profit or loss			
Loss	7	-	8,819
Fair value gain on investment property	6	(8,773)	(1,969)
Gain on disposal of investment property		-	(1,837)
Loss on disposal of property, plant and equipment	5 & 25	416	1,949
Excess of insurance proceeds over carrying value of property, plant and equipment written-off	5 & 25	-	(2,504)
Finance costs		41,276	37,130
Finance income		(6,365)	(3,261)
Operating cash flows before movements in working capital		313,099	255,502
Increase in inventories		(18,294)	(7,720)
Increase in trade receivables		(59,149)	(112,077)
Decrease/(increase) in prepayments and other current assets		35,545	(38,458)
Decrease in trade payables		(28,431)	(3,551)
Increase/(decrease) in accrued expenses and other current liabilities		53,220	(38,874)
Decrease/(increase) in finance lease receivable		5,268	(17,937)
Net cash from operating activities		301,258	36,885
Investing activities			
Payments for property, plant and equipment	5	(316,206)	(228,597)
Proceeds from disposal of investment property		-	51,100
Insurance proceeds on property, plant and equipment written-off		-	39,376
Proceeds from disposal of investments at fair value through profit or loss	7	3,680	32,081
Proceeds from disposal of property, plant and equipment		542	31,671
Payments for available-for-sale investments	7	-	(32,047)
Net cash inflow arising upon control of subsidiaries	31	287	47,290
Finance income received		6,365	3,367
Net cash used in investing activities		(305,332)	(55,759)
Financing activities			
Net bank loans raised		203,624	227,493
Repayments of bank loans		(68,153)	(13,007)
Decrease in due to a related party		(10,890)	(7,703)
Finance costs paid		(96,485)	(38,247)
Board of Directors' remuneration		(1,350)	-
Dividends paid to equity owners of the Company		(19,913)	(1,050)
Dividends paid to non-controlling interests		-	(1,685)
Net cash from financing activities		6,833	165,801
Net increase in cash and cash equivalents		2,759	146,927
Cash and cash equivalents at beginning of year		(45,987)	(192,914)
Cash and cash equivalents at end of year	14 & 31	(43,228)	(45,987)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

1 General

Abu Dhabi Aviation (the "Company") is a national shareholding company incorporated in Abu Dhabi, United Arab Emirates by the Decrees and Laws No. 3, No. 10, No. 8, No. 9 and No. 11 of the years 1982, 1985, 1999, 2003 and 2004 respectively. The Company's shares are listed in the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as the "Group") have been established to own helicopters and fixed wing aircraft for use both within and outside the United Arab Emirates and undertake charter, commercial, air cargo and other related services. The Company's registered address is P.O. Box 2723, Abu Dhabi, UAE.

2 Adoption of new and revised Standards

2.1 Standard affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the consolidated financial statements are set out in section 2.2.

- IAS 1 (as revised in 2007) *Presentation of Financial Statements*. The standard has principally introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- IFRS 8 *Operating Segments*. IFRS 8 is a disclosure Standard that requires re-designation of the Group's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance. There was no re-designation of the reportable segments since the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the Chief Operating Decision Maker to allocate resources to the segments and to assess its performance. The Group had presented a more expanded reconciliation of segment results and provided additional disclosure to conform to the requirements of IFRS 8 (see note 30).
- *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*. The amendment has expanded the disclosures required in respect of fair value measurements and liquidity risk. The Group is now required to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy (see note 27). The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
- IFRS 9 *Financial Instruments*. IFRS 9 specifies how an entity should classify and measure its financial assets and is intended to replace IAS 39 and IFRS 7. The impact of adopting IFRS 9 has been effected in the current year without prior period restatement. There were no disposals of investments designated at FVTOCI and therefore only the increase in fair value amounting to AED 6.5 million was recognised in other comprehensive income with respect to these investments.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

2 Adoption of new and revised Standards (continued)

2.1 Standard affecting presentation and disclosure (continued)

The Group adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Group has chosen 31 December 2009 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12 November 2009.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are now measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortised cost criteria the Group may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current period, the Group has not elected to designate any debt instruments meeting the amortised cost criteria as at FVTPL.

Only financial assets that are classified as measured at amortised cost are tested for impairment.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The Directors have reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result, the Group's equity instruments which are not held for trading purposes have been designated as at FVTOCI.

The reclassification of financial assets on initial application of IFRS 9 has resulted in the designation of equity instruments previously classified as financial assets at available-for-sale as at FVTOCI. There are no other investments held by the Group as at 31 December 2009.

For more information and detail on the new classification, see note 7.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

2 Adoption of new and revised Standards (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. The adoption of these new and revised Standards and Interpretations did not have significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

- | | |
|---|--|
| <ul style="list-style-type: none"> • Amendments to IFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i> | <p>The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.</p> |
| <ul style="list-style-type: none"> • IAS 23 (revised) <i>Borrowing Costs</i> | <p>The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.</p> |
| <ul style="list-style-type: none"> • Amendments to IAS 32 <i>Financial Instruments: Presentation</i> and IAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i> | <p>The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.</p> |
| <ul style="list-style-type: none"> • IFRIC 13 <i>Customer Loyalty Programmes</i> | <p>The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.</p> |
| <ul style="list-style-type: none"> • IFRIC 15 <i>Agreements for the Construction of Real Estate</i> | <p>The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 <i>Construction Contracts</i> or IAS 18 <i>Revenue</i> and when revenue from the construction of real estate should be recognised.</p> |
| <ul style="list-style-type: none"> • IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i> | <p>The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.</p> |

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements
(continued)

- IFRIC 18 *Transfers of Assets from Customers* (for transfers of assets from customers received on or after 1 July 2009)

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.
- Improvements to IFRSs (2008)

Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after 1 January 2009.

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
• IFRS 1 (revised) <i>First time Adoption of IFRS</i> and IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.	1 July 2009
• IFRS 3 (revised) <i>Business Combinations</i> – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> , IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i> .	1 July 2009
• IAS 39 (revised) <i>Financial Instruments: Recognition and Measurement</i> – Amendments relating to Eligible Hedged Items (such as hedging inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) <i>First time Adoption of IFRS</i> – Amendment on additional exemptions for First-time Adopters.	1 January 2010

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)

2.3 Standards and Interpretations in issue not yet effective (continued)

New Standards and amendments to Standards (continued):	Effective for annual periods beginning on or after
• IFRS 2 (revised) Share-based payment – Amendment relating to Group cash-settled Share-based payments.	1 January 2010
• IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to classification of Rights Issue.	1 February 2010
• IAS 24 Related Party Disclosures – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government.	1 January 2011
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs.	Majority effective for annual periods beginning on or after 1 January 2010
New Interpretations and amendments to Interpretations:	
• IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i> .	1 July 2009
• IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> .	1 July 2010
• Amendment to IFRIC 14 <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i> .	1 January 2011
• Amendment to IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i> relating on restriction on entities that can hold hedging instruments.	1 July 2009
• Amendment to IFRIC 9 (revised) <i>Reassessment of Embedded Derivatives</i> relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category.	1 July 2009

Management anticipates that the adoption of the above Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

All values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for the remeasurement of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of consideration given in exchange for assets. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition of control or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses applicable to the non-controlling entity in excess of the non-controlling entity's interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling entity has a binding obligation and is able to make an additional investment to cover the losses.

The Company has the following subsidiaries over which it exercises effective control.

<u>Name of subsidiary</u>	<u>Ownership interest</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Maximus Air Cargo L.L.C.	95%	UAE	Air cargo
Royal Jet L.L.C.	50%	UAE	Commercial air and transportation services
Herbal Hill Gardens Limited	100%	Gibraltar	Investment property ownership
Dhafra Leasing L.L.C	100%	Hungary	Representative office in Europe
ADA Real Estate Management and General Maintenance Ltd	100%	UAE	Real estate and facilities
Maximus Aviation Services Limited	57%	United Kingdom	Air cargo services

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

During 2009, control over Maximus Aviation Services Limited, a subsidiary of Maximus Air Cargo L.L.C., has formally passed to the Group.

Interests in joint ventures

Interests in joint ventures which are jointly controlled entities are stated under the proportionate consolidation method, whereby the Group's proportionate share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Revenue

Rendering of services

Revenue is measured at the fair value of the consideration received or receivable, net of discounts.

Revenue represents amounts invoiced by the Group in respect of aviation services provided during the year.

Revenue from third party maintenance contracts is recognised at the contracted rates as labour hours are rendered and direct expenses are incurred.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Dividend income

Dividend income is recognised when the Group's right to receive the payment has been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Leasing (continued)

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currency translation

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Borrowing costs

Interest bearing bank loans and overdrafts are recorded at the proceeds received less any repayments made.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Non-monetary government grants are recognised at nominal value where there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Deferred income is recognised at the nominal value of shares that was granted to the Company. Deferred income is amortised on the basis of the agreed legal duration of the related investment of 25 years.

Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation and any impairment in value. The cost of property, plant and equipment purchased in foreign currencies is stated at the UAE Dirham equivalent at the time of purchase.

The cost of replacing part of an item of property, plant and equipment including major inspections and overhauls is recognised in the carrying amount of the related asset if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The remaining carrying amount of replaced parts is de-recognised simultaneously. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Major inspections and overhaul are capitalised as a separate component of property, plant and equipment and are amortised over the period to the next major overhaul.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis so as to write off the cost of assets over their estimated useful lives, after allowing for estimated residual value.

Residual value is the net amount which the Group expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of operational property, plant and equipment commences with the commercial use of the asset. Surpluses arising on revaluation are transferred to a revaluation reserve. This reserve is released to distributable reserves when assets are sold or disposed of.

Property, plant and equipment in the course of construction are treated as capital work in progress and carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

Impairment of tangible assets

At end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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, corporate 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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average cost method and includes the invoiced cost, freight expenses, duties and other expenses incurred in bringing the inventories to their present condition and location. Allowance is made in the accounts for obsolete and slow-moving items based on management's judgement.

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

The Group had the following financial assets as at 31 December 2008: 'cash and cash equivalents', 'loans and receivables' 'available for sale' (AFS) investments, 'held to maturity investments', and financial assets at fair value through profit or loss (FVTPL). At 31 December 2009, the Group's AFS financial assets have been reclassified after initial application of IFRS 9 (see note 7). The Group does not hold any held to maturity investments as at 31 December 2009.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with banks in current accounts and short-term, high liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant changes in value.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Trade and other receivables and finance lease receivable that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets are classified as at fair value through profit and loss (FVTPL) where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manage together and has a recent actual pattern of short-term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTOCI (continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'net investment and other income' line item in the profit and loss.

In the previous year, the Group's policy for AFS investments was to initially measure at fair value, plus directly attributable transaction costs.

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised outside profit or loss, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in the consolidated statement of changes in equity are included in the net profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through consolidated statement of income. In 2008, the Group recognised impairment amounting to AED 8.2 million on investments in securities. These investments are now classified as financial assets at FVTOCI and accordingly, reversal of impairment loss was recognised in the opening retained earnings.

Held to maturity investments

Investments which have fixed or determinable payments with fixed maturity which the Group has the intention and ability to hold to maturity, are classified as held to maturity investments. Held to maturity investments are carried at amortised cost, using effective interest rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition on an effective interest rate method.

Any gain or loss on such investments is recognised in profit or loss when the investment is derecognised or impaired.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in consolidated statement of changes in equity. Subsequent to adoption of IFRS 9 during the year, the Group investments which are financial assets at FVTOCI are not assessed for indicators of impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities comprise trade payables and other liabilities, due to a related party and borrowings, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of reporting period.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the end of reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

Employee benefits (continued)

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (7), 1999 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

4 Critical accounting judgment and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgement and estimate made by management are summarised as follows:

Critical accounting judgment

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In judging whether investments in securities are as at FVTOCI, FVTPL or amortised cost, Management has considered the detailed criteria for determination of such classification as set out IFRS 9 *Financial Instruments* in 2009. Management is satisfied that its investments in securities are appropriately classified.

Key sources of estimation uncertainty

Allowance for doubtful debts

Management has estimated the recoverability of accounts receivable balances and has considered the allowance required for doubtful receivables. Management has estimated for the allowance for doubtful receivables based on future cash flows estimated at the end of reporting period.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

4 Critical accounting judgment and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Allowance for inventory obsolescence

Management has estimated the recoverability of inventory balances and has considered the allowance required for inventory obsolescence based on the current economic environment and past obsolescence history.

Residual value and useful lives of aircraft

Management has reviewed the residual values and estimated useful lives of aircraft in accordance with IAS 16 'Property, Plant and Equipment' and has determined that these expectations do not differ from previous estimates.

Impairment of property, plant and equipment

Determining whether property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of property, plant and equipment at the end of the reporting period was AED 2,238.3 million after an impairment loss of AED 20.8 million was recognised during 2009. Details of the impairment loss calculation are set out in note 5.

Amortisation of deferred income

Note 11 describes the grant of equity shares of Maximus Air Cargo L.L.C. by a government entity to the Company during the year.

In determining the appropriate basis for recognising deferred income relating to the grant, the directors have considered the requirements of IAS 20 'Government Grants' and the purpose and requirements of the grant based on binding arrangements entered into with the government, related instructions and transfer of legal ownership to the Company. The directors are satisfied that after considering the above criteria, the agreed legal duration of the investment of 25 years is an appropriate basis for recognition of related deferred income.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

5 Property, plant and equipment

The following rates are used for the depreciation of property, plant and equipment:

Commercial aircraft	20 years
Commercial aircraft rotatable parts and repairables	20 years
Cargo aircraft	25 years
Cargo aircraft spare engines	25 years
Fixed wing aircraft	15 years
Helicopters and major rotables	10 – 15 years
Fixed wing spares	15 years
Motor vehicles	4 years
Ground equipment	5 years
Furniture and office equipment	4-5 years
Housing complex	10 years
Building	25 years
Commercial aircraft facility leasehold improvements	3 years
Fixtures and fittings	10 years
Main rotor yokes	5,000 and 10,000 hours
Main rotor blades	4,000 hours

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

5 Property, plant and equipment (continued)

	Buildings AED'000	Commercial aircraft facility leasehold improvements AED'000	Helicopters, aircraft & major rotables AED'000	Cargo aircraft building AED'000	Cargo aircraft and spares AED'000	Commercial aircraft AED'000	Commercial aircraft rotable parts & repairables AED'000	Furniture & fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
Cost/valuation											
At 1 January 2008	82,443	2,705	1,098,630	-	-	190,214	3,558	14,276	83,814	4,584	1,480,224
Effect of change from joint venture to a subsidiary	-	2,841	-	-	-	190,306	3,608	1,734	7,761	5,269	211,519
Additions arising upon control of a subsidiary	-	-	-	15,019	486,705	-	-	-	23,653	6,624	532,001
Additions	-	299	272,066	-	2,220	30,041	2,544	69	11,774	98,683	417,696
Disposals	-	-	(8,328)	-	-	(29,767)	(17)	-	(2,835)	-	(40,947)
Written off	-	-	(39,649)	(2)	-	-	(445)	-	-	-	(40,096)
At 1 January 2009	82,443	5,845	1,322,719	15,017	488,925	380,794	9,248	16,079	124,167	115,160	2,560,397
Additions	262	-	27,940	-	11,748	-	752	29	56,180	219,295	316,206
Disposals	-	-	(5,412)	-	-	-	-	-	(2,744)	-	(8,156)
Transfers	-	-	262,231	-	-	-	(710)	-	10,856	(273,087)	(710)
Written off	-	-	-	-	-	-	-	-	(1,046)	-	(1,046)
At 31 December 2009	82,705	5,845	1,607,478	15,017	500,673	380,794	9,290	16,108	187,413	61,368	2,866,691

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

5 Property, plant and equipment (continued)

	Buildings AED'000	Commercial aircraft facility leasehold improvements AED'000	Helicopters, aircraft & major rotables AED'000	Cargo aircraft building AED'000	Cargo aircraft and spares AED'000	Commercial aircraft AED'000	Commercial aircraft rotable parts & repairables AED'000	Furniture & fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation											
At 1 January 2008	25,775	2,013	251,784	-	-	16,880	387	10,289	62,963	-	370,091
Effect of change from joint venture to a subsidiary	-	2,163	-	-	-	21,157	516	1,525	4,427	-	29,788
Additions arising upon control of a subsidiary	-	-	-	-	30,902	-	-	-	4,271	-	35,173
Charge for the year	3,176	496	35,863	-	9,669	12,842	345	1,589	7,552	-	71,532
Eliminated on disposals	-	-	(5,522)	-	-	-	-	-	(2,636)	-	(8,158)
Written off	-	-	(2,378)	-	(15)	-	(49)	-	-	-	(2,442)
At 1 January 2009	28,951	4,672	279,747	-	40,556	50,879	1,199	13,403	76,577	-	495,984
Charge for the year	3,187	704	45,236	601	20,231	17,130	554	1,397	30,372	-	119,412
Eliminated on disposals	-	-	(5,116)	-	-	-	-	-	(2,082)	-	(7,198)
Transfers	-	-	-	-	-	-	(332)	-	-	-	(332)
Written off	-	-	-	-	-	-	-	-	(308)	-	(308)
Impairment loss recognised in profit or loss	-	-	10,518	-	-	10,286	-	-	-	-	20,804
At 31 December 2009	32,138	5,376	330,385	601	60,787	78,295	1,421	14,800	104,559	-	628,362
Net book value											
At 31 December 2009	50,567	469	1,277,093	14,416	439,886	302,499	7,869	1,308	82,854	61,368	2,238,329
At 31 December 2008	53,492	1,173	1,042,972	15,017	448,369	329,915	8,049	2,676	47,590	115,160	2,064,413

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

5 Property, plant and equipment (continued)

- As at 31 December 1992, certain helicopters and major rotables were fully depreciated. Consequently, during 1993 management revalued helicopters and major rotables to market value on the basis of industry quotations. The helicopter revaluations were based on the "Official Helicopter Blue Book" and a valuation report prepared by Nash Helicopter Associates Limited. The major rotatable revaluations were based on original cost and valuations performed by Canadian Gas Turbines. The revaluation resulted in an increase in the value of helicopters and major rotables of AED 51.1 million. The carrying value and accumulated depreciation was adjusted to reflect this revaluation.
- The Abu Dhabi Government has granted the Group two plots of land located in Khalifa City, Abu Dhabi which are accounted for at nominal value of AED 1.
- Property, plant and equipment include three cargo aircraft previously transferred to a subsidiary at no cost from a governmental entity, accounted for at nominal value of US\$ 1 each at the time of transfer.
- Certain property, plant and equipment with a carrying amount of AED 597.7 million are mortgaged in the name of the lending banks.
- Property, plant and equipment is operated from the Group's base in the U.A.E.
- During the year, the Group carried out a review of the recoverable amount of its aircraft. These assets are used in the Group's helicopter and fixed wing, commercial aircraft and air cargo reportable segments. The review led to the recognition of an impairment loss of AED 20.8 million, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of fair value less costs to sell for helicopters and fixed wing aircraft and value in use for commercial aircraft. The discount rate used in measuring value in use was 2.75% per annum based on an asset specific estimate of an applicable prevailing rate.

6 Investment property

Investment property represents investments in properties in London, England purchased by the Company in 1995 and 1997. The properties are registered in the name of Herbal Hill Gardens Limited, a company incorporated in Gibraltar for the purpose of owning the investment properties and wholly owned by the Group.

The fair value of the Group's investment property has been determined on the basis of a valuation carried out by chartered surveyors in the United Kingdom, on an open market basis.

Fair value:

	2009 AED'000	2008 AED'000
At 1 January	85,135	176,449
Increase in fair value	8,773	1,969
Net foreign currency exchange difference	8,442	(31,526)
Disposal	-	(61,757)
At 31 December	102,350	85,135

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

7 Investments

Reclassification of investments at the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application on 31 December 2009.

Type of Investment	Original measurement category (IAS 39)	New measurement category (IFRS 9)
Equity securities (i)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through other comprehensive income (FVTOCI)
Managed funds (ii)	AFS investments	Investments in equity instruments designated at fair value through other comprehensive income (FVTOCI)

- (i) The Group has chosen to designate the investments in quoted UAE shares at FVTOCI as it intends to hold the investments for the medium to long-term as a strategic investment. The Group believes therefore that designating as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing the interest through profit or loss.
- (ii) Managed funds comprise various mutual funds in the UAE. They were reclassified from AFS investments to FVTOCI investments as the Group intends to hold the investments for the medium to long-term as strategic investments.

The Group's investments at the end of reporting date are detailed below.

	2009 AED'000	2008 AED'000
Financial assets at fair value through other comprehensive income	46,291	-
Available-for-sale investments	-	39,779
Held to maturity investment	-	3,680
	-	3,680

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

7 Investments (continued)

The movement in investments in 2009 is as follows:

	Fair value through other comprehensive income AED'000	Available- for-sale investments AED'000	Held to maturity AED'000
At 1 January	-	39,779	3,680
Transfers	39,779	(39,779)	-
Proceeds from sale of investments	-	-	(3,680)
Increase in fair value	6,512	-	-
At 31 December	46,291	-	-

The movement in investments during 2008 was as follows:

	Available- for- sale investments AED'000	Held to maturity AED'000	Financial assets at fair value through profit & loss AED'000
At 1 January	-	-	116,986
Transfers	107,141	-	(107,141)
Addition arising upon control of a subsidiary	-	3,680	-
Purchase of investments	32,047	-	-
Proceeds from sale of investments	(31,116)	-	(965)
Loss on sale of investments	(1,309)	-	(61)
Decrease in fair value	(66,984)	-	(8,819)
At 31 December	39,779	3,680	-

- In 2008, investments held for trading previously categorised as financial assets at fair value through profit or loss (FVTPL) were reclassified to AFS investments. This reclassification was made in accordance with the amendments to IAS 39 with respect to reclassification of financial assets. The fair value of the investments held for trading at the date of reclassification was AED 107.1 million and at 31 December 2009 was AED 29 million (2008: 17.6 million).

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

7 Investments (continued)

- The Group's investments in securities represent UAE listed securities.

	2009 AED'000	2008 AED'000
Managed funds	19,136	17,641
Equities	27,155	22,138
At 31 December	46,291	39,779

8 Finance lease receivable

Leasing arrangements

The Group entered into a finance lease arrangement for an aircraft with a 6 year lease term. The lease is denominated in US Dollars.

Amounts receivable under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Within one year	4,075	4,225	3,624	4,000
In the second to fifth years inclusive	12,232	16,306	9,045	13,937
After five years	-	-	-	-
	16,307	20,531	12,669	17,937
Less unearned finance income	(3,638)	(2,594)	-	-
Present value of minimum lease receivable	12,669	17,937	12,669	17,937
Included in the financial statements as:				
Current finance lease receivables	-	-	3,624	4,000
Non-current finance lease receivable	-	-	9,045	13,937

The interest rate inherent in the lease is 3 months LIBOR plus 1.6% at the contract date for the entire lease term. The effective interest rate contracted is 4%.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

9 Trade receivables

	2009 AED'000	2008 AED'000
Trade receivables	385,526	248,379
Due from related parties (note 12)	54,906	131,937
	<u>440,432</u>	<u>380,316</u>
Less: allowance for doubtful debts	(39,523)	(15,222)
	<u>400,909</u>	<u>365,094</u>

The change in allowance for doubtful debts on trade receivables is as follows:

	2009 AED'000	2008 AED'000
Balance at 1 January	15,222	430
Addition arising upon control of a subsidiary	-	5
Charge for the year	24,505	14,787
Write off	(204)	-
	<u>39,523</u>	<u>15,222</u>

The average credit period on services is 90 days. No interest is charged on trade and other receivables. During the year, additional specific allowances for doubtful debts were identified for customer receivables based on future cash flows estimated at the end of reporting period.

Trade receivable balances past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Included in the Group's trade receivable balance are past due debtors with a carrying amount of AED 184 million (2008: AED 117.5 million) for which the Group has not provided for as there has not been significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables

	2009 AED'000	2008 AED'000
Not past due	216,948	247,616
Due for 91 to 180 days	106,468	27,830
Due for more than 180 days	117,016	104,870
	<u>440,432</u>	<u>380,316</u>

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

10 Subsidiary previously accounted for as a joint venture

Effective 1 July 2008, the directors determined that control over Royal Jet L.L.C, previously a 50% owned jointly controlled entity, has passed to the Company as a result of the Company's ability to cast the majority of votes at meetings of the board of directors which controls Royal Jet L.L.C. The results of Royal Jet L.L.C. are included in the consolidated statement of income from the effective date of control on 1 July 2008. Prior to 1 July 2008 the Company's interest in Royal Jet L.L.C was recognised using the proportionate consolidation method of accounting.

The consolidated financial statements as a result of the proportionate consolidation of Royal Jet L.L.C. for the six months from 1 January 2008 to 30 June 2008 included income and expenses of AED 119.3 million and AED 111.1 million, respectively.

11 Grant of equity shares

Effective 1 July 2008, a government entity granted the Company 95% of the share capital of Maximus Air Cargo L.L.C. The results of Maximus Air Cargo L.L.C. are included in the consolidated statement of income from the effective date of control on 1 July 2008.

12 Related parties

During the year, the Group entered into the following significant transactions with related parties:

	Services/goods provided		Amounts due from related parties		Amounts due to related parties	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Transactions with related parties through Royal Jet L.L.C.	237,380	129,923	26,074	45,939	95,571	143,705
Transactions with related parties through the Company	66,328	69,216	28,832	85,998	-	-
	303,708	199,139	54,906	131,937	95,571	143,705

Amounts due to related parties include a current portion amounting to AED 9.3 million (2008: AED 48.2 million) included under trade payables and a non-current portion amounting to AED 86.2 (2008: AED 95.5 million).

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

12 Related parties (continued)

(a) Finance lease liability

The Group's finance lease obligation as at 31 December 2009 amounts to AED 95.5 million (2008: AED 104.6 million). The finance lease between the Group and a related party was entered into to finance 70% of the cost of commercial aircraft for a period of 15 years from the date of delivery of the aircraft.

Amounts payable under finance leases:

	Minimum lease payments		Present value of minimum lease payments	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Within one year	13,276	12,475	9,318	9,084
In the second to fifth years inclusive	54,092	67,332	39,574	48,865
After five years	52,744	52,715	46,679	46,653
	120,112	132,522	95,571	104,602
Less: future finance charges	(24,541)	(27,920)	-	-
Present value of minimum lease Payments	95,571	104,602	95,571	104,602
Included in the financial statements as due from a related party:				
Current finance lease liability	-	-	9,318	9,084
Non-current finance lease liability	-	-	86,253	95,518

(b) Operating lease

The Group's operating lease commitment as at 31 December 2009 amounts to AED 33.6 million (2008: AED 34.4 million). The operating lease between the Group and a related party was entered into to obtain aircraft and equipment.

The lease of commercial aircraft is for a period of one year and is renewable at the end of the lease term.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

12 Related parties (continued)

(c) Transactions and balances with related parties

Transactions with related parties during the year were as follows:

	2009 AED'000	2008 AED'000
Directors' fee paid	360	360
Directors' remuneration paid	1,350	-
Operating lease rentals for aircraft	29,051	25,649
Related party advances	94,560	133,286
Services rendered	72,570	41,115
Management fee income	455	1,524
Finance cost on finance lease of aircraft	4,107	3,298
Key management compensation		
Salaries and other short-term employee benefits	14,546	12,292
Provision for staff end of service benefits	1,069	1,324

13 Prepayments and other current assets

	2009 AED'000	2008 AED'000
Prepayments	22,826	36,792
Deposits and advances	42,315	40,981
Other receivables and accrued income	53,555	76,404
	118,696	154,177

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

14 Cash and cash equivalents

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

	2009 AED'000	2008 AED'000
Short-term deposits	13,027	103,047
Bank current accounts	46,067	63,302
Petty cash	1,686	2,243
	<hr/>	<hr/>
	60,780	168,592
Bank overdrafts	(104,008)	(214,579)
	<hr/>	<hr/>
	(43,228)	(45,987)
	<hr/>	<hr/>

Cash and cash equivalents include an amount of AED 5.8 million (2008: AED 2.2 million) million held in foreign banks abroad and the remaining balance is held within the U.A.E.

Bank overdrafts

Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts is determined based on 2% over and above three months EBOR as determined by the bank.

15 Share capital

The share capital structure is as follows:

	2009 AED'000	2008 AED'000
Issued and fully paid:		
404,352,000 shares of AED 1 each		
(2008: 404,352,000 shares of AED 1 each)	404,352	404,352
	<hr/>	<hr/>

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

16 Reserves

	Revaluation reserve AED'000	Translation reserve AED'000	Fleet replacement reserve AED'000	Insurance reserve AED'000	Legal reserve AED'000	Investment revaluation reserve AED'000	General reserve AED'000	Total AED'000
Balance at 1 January 2008	49,310	35,697	179,736	193,849	101,124	-	7,586	567,302
Effect of change from joint venture to a subsidiary	-	-	-	-	(3,787)	-	-	(3,787)
Reserve arising upon control of subsidiaries	-	-	-	-	11,462	-	-	11,462
Exchange difference arising on the translation of investment property	-	(31,526)	-	-	-	-	-	(31,526)
Release from translation reserve	-	(12,494)	-	-	-	-	-	(12,494)
Loss on fair valuation of AFS investments	-	-	-	-	-	(58,783)	-	(58,783)
Transfer to legal reserve	-	-	-	-	10,666	-	-	10,666
Transfer to fleet replacement reserve	-	-	39,861	-	-	-	-	39,861
Transfer to insurance reserve	-	-	-	39,861	-	-	-	39,861
Balance at 1 January 2009	49,310	(8,323)	219,597	233,710	119,465	(58,783)	7,586	562,562
Effect of change in accounting policy	-	-	-	-	-	(8,201)	-	(8,201)
Balance at 1 January 2009 as restated	49,310	(8,323)	219,597	233,710	119,465	(66,984)	7,586	554,361
Exchange difference arising on the translation of investment property	-	8,442	-	-	-	-	-	8,442
Gain on fair valuation of FVTOCI investments	-	-	-	-	-	6,512	-	6,512
Transfer to legal reserve	-	-	-	-	13,834	-	-	13,834
Transfer to fleet replacement reserve	-	-	25,000	-	-	-	-	25,000
Transfer to insurance reserve	-	-	-	25,000	-	-	-	25,000
Transfer to general reserve	-	-	-	-	-	-	50,000	50,000
Balance at 31 December 2009	49,310	119	244,597	258,710	133,299	(60,472)	57,586	683,149

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

16 Reserves (continued)

(a) Revaluation reserve

As at 1 January 1993, on the basis of industry quotations, the Company revalued part of its fleet of helicopters and major rotables (note 5). A similar revaluation was performed on 1 January 1988. The revaluation reserve represents the surplus over net book value arising from the revaluations.

(b) Translation reserve

The translation reserve consists of exchange differences arising on the translation of non-monetary assets and liabilities denominated in foreign currencies.

(c) Fleet replacement reserve

The fleet replacement reserve consists of amounts appropriated from profits, which in the opinion of the Board of Directors are required to ensure that sufficient reserves exist to replace the existing fleet of helicopters when necessary.

(d) Insurance reserve

The insurance reserve consists of amounts appropriated from profits, which in the opinion of the Board of Directors is required to enable the Group to provide for a portion of the insurance cover in respect of its helicopter fleet and fixed wing aircraft.

(e) Legal reserve

The Articles of Association of the Company require 10% of the annual net profit to be transferred to a legal reserve until such reserve amounts to 50% of the share capital of the Company. In addition, the subsidiaries are required in accordance with the UAE Federal Commercial Companies Law number (8) of 1984, (as amended) concerning Commercial Companies and the subsidiaries' Articles of Association. 10% of the subsidiaries' net profit is transferred to an undistributable statutory reserve until such reserve equals 50% of paid up capital of the subsidiaries. This reserve is not available for distribution. The Group's legal reserve represents the Company's legal reserve computed on the basis disclosed above in addition to the Group's share of legal reserve of subsidiaries.

(f) Investment revaluation reserve

Investment revaluation reserve represents gains and losses arising from changes in fair value of FVTOCI investments in 2009 and changes in fair value of AFS investments in 2008.

(g) General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and approved by the shareholders. This reserve may be used for such purpose as the deem fit.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

17 Dividends and board of directors' remuneration

Dividends

During 2009, cash dividends amounting to AED 20.2 million were declared, of which AED 19.9 million were paid to the shareholders during the year.

The Board of Directors proposed cash dividends of AED 0.075 per ordinary share (7.5% of par value) amounting to AED 30.3 million. The Board of Directors will request approval by the shareholders of the cash dividends at the annual general meeting to be held in 2010.

Board of Directors' remuneration

The Board of Directors proposed Board of Directors' remuneration for 2009 amounting to AED 1,350,000. The Board of Directors will request approval by the shareholders of the remuneration at the annual general meeting to be held in 2010.

18 Non-controlling interests

	2009 AED'000	2008 AED'000
At 1 January	147,279	-
Non-controlling interests arising upon control of Subsidiaries	213	139,377
Share of profit for the year	4,848	9,587
Dividends paid to non-controlling interests	-	(1,685)
31 December	152,340	147,279

19 Provision for end of service benefits

The movement in provision for end of service benefits is as follows:

	2009 AED'000	2008 AED'000
At 1 January	76,501	57,280
Effect of change from joint venture to a subsidiary	-	3,890
Additions arising upon control of a subsidiary	-	666
Charge for the year	14,335	27,040
Payments made for the year	(11,575)	(12,375)
At 31 December	79,261	76,501

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

20 Bank loans

	2009 AED'000	2008 AED'000
Bank loans	788,735	634,889
Murabaha facility	-	18,375
	<u>788,735</u>	<u>653,264</u>
Less: non current portion of term loan	(722,210)	(553,578)
	<u>66,525</u>	<u>99,686</u>

AED 1,290 million term loan

In 2007, a loan facility was obtained by the Group from a local bank for an amount of AED 1,290 million to finance acquisition of new aircraft, spare engines, spare parts, tools, and hanger facilities. AED 132 million (2008: AED 215 million) was drawn during the year. Based on rescheduling of the loan during the year, the interest rate on this loan is three months EIBOR plus 2% per annum. The loan is repayable in 21 semi-annual installments commencing from June 2009. A commitment fee of 0.1% is charged on the available undrawn balance. The facility is secured by a negative pledge on investment property and is also guaranteed by the mortgage over the aircraft of AED 897 million and other property, plant and equipment of AED 393 million which will be acquired by the Company (note 5). As at 31 December 2009, outstanding balance of the term loan amounted to AED 691.7 million (2008: AED 525 million).

AED 129.53 million term loans of Royal Jet L.L.C.

During 2007, the Group obtained a term loan from a local bank amounting to US\$ 35.2 million (AED 129.53 million) to finance the acquisition of a commercial aircraft. Repayment is scheduled over a period of 10 years starting July 2007 by equal monthly instalments. The interest is calculated by reference to one month LIBOR plus 0.75% per annum. As at 31 December 2009, the outstanding balance of the term loan amounted to AED 97 million (2008: AED 103.1 million).

The term loan is secured by the following:

- i) First priority mortgage/commercial pledge over the aircraft, filed in the borrower's state of incorporation immediately upon delivery. Bank's interest to be registered with GCAA.
- ii) Assignment of insurance in relation to the aircraft owned by the borrower including war insurance.
- iii) Assignment of airframe and engine warranties.
- iv) De-registration power of attorney.

AED 18.3 million Murabaha of Royal Jet L.L.C.

During 2008, the Group obtained Murabaha financing from a local bank amounting to US\$ 5 million (AED 18.3 million) to finance operations. The Murabaha has been settled during the year.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

21 Deferred income

	2009 AED'000	2008 AED'000
Grant of equity shares	472,302	481,941
Amortisation of deferred income	(19,278)	(9,639)
	<u>453,024</u>	<u>472,302</u>

22 Trade payables

	2009 AED'000	2008 AED'000
Trade payables	75,887	65,365
Due to related parties (note 12)	9,318	48,187
	<u>85,205</u>	<u>113,552</u>

The average credit period for purchases of goods and services is 30 days. The Group has risk management policies in place to ensure that all payables are paid within the credit period.

23 Operating expenses

	2009 AED'000	2008 AED'000
Staff costs	370,814	271,229
Operating and maintenance costs	532,580	369,052
Depreciation	98,308	61,846
Other expenses	118,342	92,918
	<u>1,120,044</u>	<u>795,045</u>

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

24 General and administrative expenses

	2009 AED'000	2008 AED'000
Staff costs	84,038	83,260
Provision for doubtful debts	24,505	16,113
Licensing and professional fees	7,199	1,812
Directors' fees	360	360
Depreciation	21,104	9,686
Others	23,702	23,454
	<u>160,908</u>	<u>134,685</u>

25 Other income

	2009 AED'000	2008 AED'000
Loss on disposal of property, plant and equipment	(416)	(1,949)
Excess of insurance proceeds over carrying value of property, plant and equipment written-off	-	2,504
Miscellaneous income	6,710	1,234
	<u>6,294</u>	<u>1,789</u>

26 Basic and diluted earnings per share

Earnings per share amounts are calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations:

	2009 AED'000	2008 AED'000
Profit attributable to equity owners of the Company	133,494	106,672
Weighted average number of shares in issue	404,352	404,352
Earnings per share	0.33	0.26

At 31 December 2009, the Company has not issued any instruments that have an impact on earnings per share when exercised.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

27 Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2008. The capital structure of the Group consists of debt, which includes the term loans, bank overdrafts, finance lease obligations, cash and cash equivalents and equity comprising share capital, reserves and retained earnings.

The gearing ratio, determined as net debt to equity, at the year end was as follows:

	2009 AED'000	2008 AED'000
Debt (i)	884,306	757,866
Cash and cash equivalents (note 14)	43,228	45,987
Net debt	927,534	803,853
Equity (ii)	1,339,306	1,212,171
Net debt to equity ratio	69.2%	66.3%

(i) Debt is defined as term loans and finance lease obligations.

(ii) Equity includes all capital and reserves of the Group.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - equity price risk, credit risk, liquidity risk and fair value interest rate risk.

The Group does not use derivative financial instruments to hedge these risk exposures. The Group seeks to manage and limit these risks by reviewing the exposure limits on a continuous basis.

The Group does not have significant exposure to currency risk as most of its assets are denominated in UAE Dirhams or in US Dollars, the latter being pegged to the UAE Dirham.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

27 Financial instruments (continued)

Equity price risks

The Group is exposed to equity price risks arising from equity investments.

The Group monitors the risk of change in equity prices by sensitivity analysis taking 15% change due to the volatile nature of the market in which the securities are listed.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 15% higher/lower (2008: 15%), the Group's equity/profit would increase/decrease as follows:

	2009 AED'000	2008 AED'000
FVTOCI investments	6,944	-
AFS investments	-	5,967

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with entities related to oil operating companies in the UAE, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank. Under the terms of prevailing customer agreements, the Group has provided provisional escalations to contain customer service fees and rates which may result in additional income to be recognised in future periods for past services subject to agreement with certain customers.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

27 Financial instruments (continued)

Credit risk (continued)

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Trade receivables from oil operating companies and government related entities in the UAE is AED 67.8 million (2008: AED 82.3 million) and AED 267.2 million (2008: AED 172 million) which represents 15.5% (2008: 21.6%) and 60.9% (2008: 45.2%) respectively of the total trade receivables at the end of reporting period. Included in the trade receivables balance at the end of the year is an amount of AED 54.9 million (2008: AED 131.9 million) due from related parties.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Group limits its liquidity risk by ensuring adequate cash from operations and bank facilities are available.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of reporting period to the contractual maturity date.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities at the end of reporting period based on contractual repayment arrangements was as follows:

	Effective interest rate	Total AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	After 5 years AED'000
2009						
Financial liabilities						
Non-interest bearing instruments		154,317	-	154,317	-	-
Fixed interest rate instruments	6%	95,571	-	9,317	39,575	46,679
Variable interest rate instruments	note 20	892,743	107,242	63,291	266,100	456,110
		<u>1,142,631</u>	<u>107,242</u>	<u>226,925</u>	<u>305,675</u>	<u>502,789</u>

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

27 Financial instruments (continued)

Liquidity risk (continued)

	Effective interest rate	Total AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	After 5 years AED'000
2008						
Financial liabilities						
Non-interest bearing instruments		185,975		185,975	-	-
Fixed interest rate instruments	6%	104,602	-	9,084	48,865	46,653
Variable interest rate instruments	note 20	867,843	224,237	90,028	314,679	238,899
		<u>1,158,420</u>	<u>224,237</u>	<u>285,087</u>	<u>363,544</u>	<u>285,552</u>

Interest rate risk

Interest rate risk primarily arises from the possibility that changes in interest rates will affect the net finance cost of the Group. The Group is exposed to fair value interest rate risk on bank borrowings at variable interest rates.

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's net profit and equity for the year ended 31 December 2009 would decrease/increase by approximately AED 4.4 million (2008: AED 4.3 million).

The Group's sensitivity to interest rates has increased in line with the increase in interest bearing debt instruments.

Fair value of financial instruments

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments recorded at fair value, is based on quoted market prices.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

27 Financial instruments (continued)

Fair value of financial instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs create the following fair value hierarchy:

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouped into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2009, all of the Group's financial assets that are stated at fair value are grouped in Level 1. The Group does not carry financial liabilities at fair value.

There were no transfers between Level 1 and 2 in the year.

28 Contingent liabilities

As of 31 December 2009, the Group had outstanding contingent liabilities in respect of letters of guarantee of AED 107.6 million (2008: AED 90.1 million).

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

29 Commitments

As of 31 December 2009, the Group had estimated commitments for the acquisition of property, plant and equipment of AED 27.1 million (2008: AED 335.3 million).

During 2007, an agreement has been signed with a real estate company ('the Developer') for construction of a residential complex on the land allocated to the Group and the lease of this complex to the Group under a lease arrangement. According to the agreement, the Group will pay the Developer an annual rent of AED 7 million (if certain related infrastructure will be built by the Company) or AED 8.3 million (if the Developer will arrange for construction of the related infrastructure services) for a period of 25 years. In addition to the agreed annual rent, maintenance fees of AED 750,000 will be paid annually over the 25 year contract period.

30 Segment information

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: Segment Reporting) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Group as the segments reported by the Company was consistent with the internal reports provided to the Chief Operating Decision Maker.

Therefore, for operating purposes, the Group is organised into four major business segments:

- (i) Helicopter and Fixed Wing Operations, which provides charter flights and third party maintenance;
- (ii) Commercial Aircraft Operations, which provides commercial air transportation and aircraft management;
- (iii) Air Cargo, which provides air cargo services to local and international customers using its fleet of aircrafts and chartered aircraft; and
- (iv) Investments, which involves the management of the Group's investment portfolio.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

30 Segment information (continued)

Information regarding these segments for the year ended 31 December 2009 is presented below:

	Helicopter & Fixed Wing Operations AED'000	Commercial Aircraft Operations AED'000	Air Cargo AED'000	Investments AED'000	Group AED'000
Revenue	572,052	503,626	362,550	-	1,438,228
Impairment of property, plant and equipment	10,518	10,286	-	-	20,804
Profit for the year	97,444	6,497	31,966	2,435	138,342

Information regarding these segments for the year ended 31 December 2008 is presented below:

	Helicopter & Fixed Wing Operations AED'000	Commercial Aircraft Operations AED'000	Air Cargo AED'000	Investments AED'000	Group AED'000
Revenue	484,280	355,640	240,345	-	1,080,265
Fair value loss	-	-	-	(6,850)	(6,850)
Loss on disposal of investments	-	-	-	(1,370)	(1,370)
Profit/(loss) for the year	58,827	25,098	37,339	(5,005)	116,259

The segment assets and liabilities at 31 December 2009 are as follows:

	Helicopter & Fixed Wing Operations AED'000	Commercial Aircraft Operations AED'000	Air Cargo AED'000	Investments AED'000	Group AED'000
Assets	1,866,144	518,858	632,922	148,638	3,166,562
Liabilities	1,376,717	275,584	22,615	-	1,674,916

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

30 Segment information (continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	Helicopter & Fixed Wing Operations AED'000	Commercial Aircraft Operations AED'000	Air Cargo AED'000	Investments AED'000	Group AED'000
Assets	1,746,792	583,997	607,289	128,595	3,066,673
Liabilities	1,326,867	347,223	33,133	-	1,707,223

The Group operates primarily from its base in the United Arab Emirates and accordingly no further geographical analysis of revenues, profit, fair value gains, assets and liabilities is given.

31 Non-cash transactions

	2009 AED'000	2008 AED'000
Transfer from property, plant and equipment to inventories and trade receivables	1,116	-
Transfer from prepayments and other current assets to property, plant and equipment	-	189,099
Transfer from investments held for trading to available-for-sale investments	-	107,141

The consolidated statement of cash flow for the year ended 31 December 2009 presents the cash flow effect arising on control of a subsidiary and accordingly the related changes in assets and liabilities which are non-cash transactions are excluded.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

31 Non-cash transactions (continued)

The assets and liabilities of the subsidiaries relating to non-cash transactions for the year ended 31 December 2009 are as follows:

	Equity arising upon control of a subsidiary AED'000
Current assets	357
Non-current assets	-
Current liabilities	177
Non-current liabilities	-

The consolidated statement of cash flow for the year ended 31 December 2008 presents the cash flow effect arising on control of a subsidiary and effect of change from joint venture to a subsidiary, and accordingly the related changes in assets and liabilities which are non-cash transactions are excluded.

The assets and liabilities of the subsidiaries relating to non-cash transactions for the year ended 31 December 2008 are as follows:

	Effect of change from joint venture to a subsidiary AED'000	Equity arising upon control of a subsidiary AED'000
Current assets	94,869	51,441
Non-current assets	181,780	496,828
Current liabilities	57,495	22,348
Non-current liabilities	106,833	666

32 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

33 Approval of financial statements

The consolidated financial statements were approved by management and authorised for issue by the Board of Directors on 23 February 2010.