

**Corporate  
Governance Report  
for 2013**

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### Introduction

The importance of the rules and applications of corporate governance has increased recently. The importance of the concept of corporate governance has grown lately in many of the advanced and emerging economies, specifically after many countries joined the World Trade Organization (WTO), the European conventions and entered into free trade agreements with other countries.

All of this created a significant amount of the competition among companies on the local and international levels in terms of marketing, services and the ability to obtain sources of financing. Consequently, corporate governance became a major factor that affects the success of the emerging markets.

The importance of corporate governance has increased in private and public sectors because of its great significance in the management of the Company and protection of the rights of shareholders. There are many intellectual trends in the importance of corporate governance.

Some considered the importance of the corporate governance in the public sector because of its effects on the national economy, and some considered that corporate governance is of extreme importance to the private sector as represented in the commercial and industrial aspect in general.

There are numerous definitions that deal with corporate governance depending on the authority . For example, the international funding corporation (IFC) has defined the corporate governance as "the system through which the administration of the companies and controlling its works are carried out". The Organization for Economic Cooperation and Development also defined corporate governance as "a set of relationships among the Company's administration, its board of directors and shareholders' other stakeholders, where the corporate governance presents the structure through which the goals of the Company are put and identifies the means of achievement of those goals, as well as the methods of control over performance". It has also been defined as "a set of rules and behaviors which governs the companies and its controls, so that to achieve a decent model of corporate governance, the aim should be to maintain a sound balance between the ownership and management, as well as to achieve the balance between performance and commitment".

Based on the foregoing, it is concluded that the whole concept of corporate governance focuses in the first place on finding and organizing the application and good practices for those who are in charge of the management of the Company in order to maintain the rights of shareholders, bondholders, employees of the Company, stakeholders, and others. This is done through investigating the implementation of contractual texts of relationships that bind those parties using the financial and accounting tools according to the standards of disclosure and due transparency.

Corporate governance means the distribution of rights and responsibilities among the parties concerned with the Company (employees, shareholders, customers, suppliers, auditors and legislators) and the determination of procedures and necessary laws for the issuance

of decisions and procedures for administrating the Company effectively and with minimal risk as much as possible. This leads to achieving the goals of the Company under the auspices of the society, regulations, laws and the market through which the Company issues its shares. Governance seeks to follow up on the procedures, policies and decisions which achieve the objectives of the shareholders.

The basic principles of corporate governance are divided into:

First: the availability of an effective framework for corporate governance.

Second: the shareholders' equity.

Third: fair treatment of shareholders.

Fourth: the role of interested or related parties in connection with the regulating rules for corporate governance.

Fifth: disclosure and full transparency

Sixth: responsibilities of the Board of Directors

Seventh: governance restrictions which are divided into internal observation and external observation.

Internal observation means the following:

- Observation of the Board of Directors and committees thereof.
- Observation of internal auditor and compliance officer
- The balance of power and the separation of powers
- Following up on the investors.

The external observation means:

- The competing companies
- The stated accounting data.
- Laws and regulations issued by the regulatory authorities.
- Media follow-up and the resulting pressures thereof

Therefore, governance works on achieving several goals including:

\* Emphasizing the principle of separating ownership and administration and overseeing the performance along with improving the economic efficiency of the companies.

\* Creating the structure through which the Company's goals are determined, the means to achieve such objectives and monitoring performance.

\* Following up the review and amendment of the laws governing the performance of the companies as the responsibility of observation turns to both parties, namely, the Board of Directors and shareholders.

\* Differentiation between the tasks and responsibilities of Executive manager (CEO), the tasks of the Board of Directors and the responsibilities of its members.

\* Evaluating the performance of senior administration, promotion of accountability and raising the degree of confidence.

\* The possibility of the participation of shareholders, employees, creditors, lenders and playing the role of observers for the performance of the companies.

\* Avoiding occurrence of accounting and financial problems to work on strengthens and stabilizes the activity of the Company and achievement of the economic stability and development.

Based on the goals that can be achieved through corporate governance, we explore that it has become one of the most important topics at the level of the economies of the world,

and it has become an important element for enhancing the economic success and reform at the public and private levels and increasing its competitiveness.

**First: - How the Company applies the principles contained in Ministerial Decree No. 518 of 2009:**

Abu Dhabi Aviation is pleased to submit the fifth report on corporate governance for the year 2013, which shows the evolution and stability of the standards and regulations of the governance within all various Company's departments until these standards and regulations have become as the ideal way to adjust the relationship between the investors, the Company's Board of Directors, the committees affiliated to the Board of Directors, executives departments and clients.

Abu Dhabi Aviation Company was one of the first companies in the country in applying these standards and regulations since the issuance of the decision of the Securities and Commodities Authority in this regard in 2007 by taking the core values of corporate governance as a slogan for Company's approach of the Company's policy which are:

- Transparency
- Justice
- Responsibility

This applies to the relationship between the management of the Company on the one hand and the stakeholders or the parties related with the Company on the other hand and across keeping up with the latest management techniques and putting a structure which allows of a great deal of freedom under the rule of law with adoption of policies of institutional development and international standards of transparency, clarity and accuracy of the financial statements and disclosures to encounter all the challenges that face the aviation sector and accessing the ultimate goal of achieving the greatest rates of profitability for the shareholders. This allows the Company to grow at all levels while maintaining the highest levels of safety and stability on a systematic and global basis which is consistent with the nature of our values and traditions within the State.

The Company's Board of Directors is also committed to support the highest standards of corporate governance for achieving the best interests of the shareholders of the Company.

The Board of Directors of the Company believes that applying the highest standards of corporate governance would enhance the performance of Abu Dhabi Aviation and its commitment, responsibility, transparency, accountability and full compliance with the laws, rules and regulations that govern the work of the Company. Where the Company is committed to the best standards and controls of corporate governance and applying the best practices, which demonstrate the extent of commitments of the members of the Board of Directors and the executive management to the controls of governance and applying its values whereby the following actions and procedures were taken:

- 1- Continuation in holding a number of meetings and training courses for the managers and employees of the Company
- 2- Following the application of the principles of procedural rules for corporate governance
- 3- Participating in workshops and training courses
- 4- Amending the provisions of the statute to comply with Ministerial decree No. 518 of 2009. Ministerial Decree No.302 of 2009 was issued in amendment of the statute of the Company, which has been published in the Official Gazette, issue No. 496 July 2009.
- 5- the management of the Company consists of a Board of Directors, a Chairman and eight members, where the Chairman and one of the members of the Board of Directors have to be appointed by Abu Dhabi Executive Council and the rest seven members are to be elected by the General Assembly of the Company for a period of three years, through the cumulative non-disclosed voting.  
The Board of Directors elects a vice-Chairman among the members of the Board.
- 6- with the obligation not to combine of the position of Chairman of the Board and the position of the Managing Director, Chief Executive Officer or the General Director.
- 7- Formation of the committees resulting from the Board of Director which is the Audit committee, nomination and rewards committee and the committee of investment and determining the functions of each committee.
- 8- Establishing the administration of internal observation and determining the tasks of this administration and formulation of the internal control system.
- 9- Formulation of rules of work in the regard with the transactions of the audience and its approval by the Board of Directors and its entry into force and generalizing it to all members of the Board of Directors and all the employees of the Company.
- 10 – The commitment of Board members, senior management and all employees of the Company during performance of their duties, with the professional conduct and internal controls of the Company, which has been generalized.
- 11- The Board of Directors shall choose the external Auditor based on the recommendations of the Audit Committee and referring this proposal to the General assembly which appoints the external auditor and determine his fees.

12- Determining the rules of disclosure of information whether to the Securities and Commodities Authority and identifying those responsible for the disclosure and communication with investors.

13- Participating and communicating with events and activities that serve the interests of the community.

During 2013, there was a full and accurate commitment by the Board of Directors and all employees of the Company to codes of information disclosure through the approved channels. Abu Dhabi Aviation Company was one of the first companies in the country to publish the quarterly and annual results with a commitment to meet all the requirements of the commission or the market as soon as possible.

**Second: - the Board of Directors' transactions in Securities of the Company during 2013:**

The business rules are previously approved in regards with the audience transactions by the Board of Directors of the Company so as to adjust the negotiation of the Company's shares by the audience and banning any leaks of internal information which has not been published to all investor in order to obtain the following:

- Equality of all investors for obtaining the internal information of the Company.
- Raising the level of transparency in disclosure and increasing the confidence of the Company's shares.
- Remove any suspicion regarding the audience in terms of personal gains as a result of benefiting from the internal information.

The rules of transactions for board members, senior management and all employees of the Company have been generalized in the securities issued by the Abu Dhabi Aviation Company or any of its affiliates or subsidiaries.

The Insiders at Abu Dhabi Aviation Company, Board members, executive management of the Company, all managers, heads of departments and all employees of the Company are committed to the rules of the insider transactions during the period and all disclosure requirements prescribed under the provisions of law, regulations and decisions issued thereto in the regard with their transactions in the securities issued by Abu Dhabi Aviation. During 2013, none of the insiders negotiated the Company shares.

**Third: formation of the Board:**

- Statement of formation of the Board of Directors according to the categories of its members and their date, experience and qualification and membership of the Board members in any other joint-stock companies and their positions:-

The Board of Directors of the Company, based on Article 18 of the statute of the Company and which is compatible with controls of governance and standards of institutional discipline as mentioned in Decree No. (518) for the year 2009, consists of nine members as follows:

- The Chairman and a member of Board appointed by Abu Dhabi Executive Council for three years.
- Seven members are to be elected by the Ordinary General Assembly of the Company by the cumulative secret voting for three years.

In 2011, Decree No. 28 c 7 / 2011 was issued by the executive committee of Abu Dhabi Executive Council concerning the appointment of the Chairman and a member in the Board of Abu Dhabi Aviation Company on 24/03/2011:

H.E. / Nader Al Hammadi, Chairman of the Board of Directors

H.E./ Hameed Al Shemry, member of the Board of Directors.

The seven members were elected by the shareholders of the Company in the Ordinary General Assembly of the Company held on 20/4/2011.

The Board of Directors has been formed pursuant to their capacity in the Company and the category of their membership according to the Article (19) of the Company statute in compliance with Decree No.(518) for the year 2009, regarding the governance controls and standards of institutional discipline, according to Articles numbers (1) and (3) in this decision whether executive or non-executive, dependant or independent.

During the year 2013, the elections or new appointments did not take place to the Boards of Directors.

Considering that election will be conducted for the Board of Directors in 2014.

**The following is a statement of the duration of each member of the current Board as well as their capacity in the Board and their category pursuant to the Decree No.(518)**

No.	Name	Position	category	The membership duration since a year
1	Nader Ahmed Mohamad Al Hammadi	The Chairman of Board of Directors	Non-Executive, Non-independent	2008
2	Sheikh Ahmed Mohamad Sultan Al Dhaheri	Vice Chairman of the Board of Directors	Non-Executive, independent	1999
3	Hameed Abdullah Al Shemry	Member of the Board of Directors	Non-Executive, Non-independent	2011
4	Ahmed Bin Ali Khalfan Al Dhaheri	Member of the Board of Directors	Non-Executive, independent	1999
5	Khalifa Yusuf Abdullah Khory	Member of the Board of Directors	Non-Executive, independent	1999
6	Seif Saeed Mohamad Al Dhaheri	Member of the Board of Directors	Non-Executive, independent	2011
7	Saeed Ali Saleh Al Kuwaiti	Member of the Board of Directors	Non-Executive, independent	1999
8	Abdullah Sideeq Khory	Member of the Board of Directors	Non-Executive, independent	1999
9	Yusuf Abdel Aziz Ahmed Al Harmodi	Member of the Board of Directors	Non-Executive, Non-independent	2011

Note: the condition contained in the Resolution No. (518) relating to the governance controls and standards of institutional discipline was already fulfilled, which stipulates that at least one third of the members of the Board of Directors are Independent.

**Data, experience and qualification of the members of the Board of Directors as follows:**

No.	Name	Qualifications	Experiences
1	Nader Ahmed Mohamad Al Hammadi	-Bachelor of Aeronautical Engineering - Graduate Studies in Business administration - Born in 1967	-currently he is the Executive Director of Aviation - Chairman of the Board of Directors of Each of Vision Group and Tomouh Company for investments. -Member of the Board of Directors of Asmak Company and Royal Jet and Maximus Air
2	Sheikh Ahmed Mohamad Sultan Al Dhaheri	Bachelor of Civil Engineering -born in 1971	- Currently he is a member of the National Advisory Council of the Emirate of Abu Dhabi - Chairman of Bin Suroor Engineering for Development - Vice Chairman of the Board of Directors of Abu Dhabi National Hotels Company. - Member of the Board of Directors of each of the National Bank of Abu Dhabi and the Emirates Telecommunications Corporation - Former Executive Director in the Department of Services and Commercial Buildings.
3	Hameed Abdullah Al Shemry	-Bachelor of Aeronautical Engineering - born in 1967	- currently he is the Executive Director of the aviation industry and engineering services in Mubadala Company - Chairman of the Board of Directors of Abu Dhabi Company for ships buildings , Maximus Air, Abu Dhabi Aircraft Technologies , Strata Manufacturing , Abu Dhabi Autonomous Systems Investments Company (ADASI) and Ammroc Company . - member of the Board of Directors of each of Royal Jet and ,ATIC Company , Mubadala Petroleum , Piaggio Aero and Aerocap Holding Company for Industries
4	Ahmed Bin Ali Khalfan AL Dhahiri	- Bs. in Accounting - Certificate of legal Accountant. - High Diploma in Business Management - Born in 1976	- Currently he is the Vice Chairman of the Board of Directors and the Executive Director of Al i& Sons company - The Chairman of the Board of Directors of Foodco Holding company. - Member of the Board of Director in each of Al Wathba National Insurance Company and Waha Capital PJSC
5	Khalifa Yusuf Abdullah Khory	- Master degree in business administration - Born in 1973	- Currently he is the Chairman of the Board of Directors of Methaq Takaful Insurance Company - Vice Chairman of Ras Al Khaimah Cement Company. - Member of the Board of Directors of Arkan Building materials - Vice Chairman of the Board of Directors of HS company for management of companies and institutions
6	Seif Saeed Mohamad Al Dhahiri	-Bachelor of Arts in Sociology and Business Administration -Born in 1956	- Currently is a member of the reconciliation committee at the Judicial Department - Formerly, the Director of Al Ain Internal Airport and Director of Finance and Administration Affairs of the Department of Civil Aviation. - Formerly, a member of the committee of the development and promotion of tourism in Al Ain city. - Former member of the Board of Director in National Marine Dredging Company ( NMDC) and Abu Dhabi National Hotels Company
7	Saeed Ali Saleh Al kewety	Bachelor of Military science – Staff College ( UK) -Master of Military Science – Nasser Academy ( Egypt ) - Born in 1951	- Currently is the Chairman of the Board of Directors of Emirates Metal Structures Industries in Emirate of Al-Ain and managing its own companies - Member of the Board of Directors in Al Ain Ahlia Insurance Company. - Formerly worked in the Armed Forces of Abu Dhabi - Former member of the Board of Directors in Abu Dhabi For Hotels and Red Crescent Authority
8	Abdullah Sideeq Khory	Bachelor of Science Born in 1965	- Currently working in managing his own companies - Member of the Board of Directors of Abu Dhabi National Hotels. - Formerly, worked as a major financial auditor at Abu Dhabi Distribution company
9	Yusuf Abdel Aziz Ahmed Al harmody	-master degree in the finance and management from the university of Southern NEW Hampshire - Born in 1967	- Currently is the chairman of monetary management in department of Accounting and Finance services for Abu Dhabi Investment Council - Member of the Board of Directors of Union National Bank and a member of Maximus Air Company. - A member of the investment committee of Social welfare and Minors Affairs. - Formerly, worked as portfolio manager at Abu Dhabi Investment Authority.

**- A method of determining the rewards of the members of the Board of Directors :-**

The rewards of the member of the Board of Directors are determined by the shareholders at the ordinary general assembly of the company according to the provision of article No. (118) of the Companies Law No. (8) Of 1984 and according to the provision of Article No. (7) Of the ministerial Decree No. (518) of 2009 and according to the provisions of Article No. ( 32) of the statute of the company.

The rewards of the members of the board of directors consists of a percentage of the net profit, as provided in the Article ( 58) of this statute, the company may have to pay expenses or additional fees or monthly salary to the extent determined

by the Board of Directors for any of its members. If this member works in any committee, make special efforts or other additional works for the company over his regular duties as a member of the Board of Directors of the company.

In all cases, the reward of the members of the Board of Directors shall not exceed 10 % of the net profit after deduction of

Depreciations and reserves and distribution of a profit not less than 5 % of the capitals to shareholders.

The rewards of the members of the Board of Directors for the year 2012 have been determined in the meeting of the ordinary General Assembly of the company, which was held on 26/03/2013 by allocating the amount of 3.6 million Dirhams as rewards of the Board of Directors distributed as 400 thousand dirhams for each member.

Concerning the year of 2013, rewards proposal for the members of the Board of Directors will be submitted to the General Assembly, which will take place during the year 2014, with a value of 5 million AED as rewards for members of the Board of Directors for the year 2013. It is worth mentioning that the company's Board of Directors has allocated meeting allowance for its members.

As for the Board committees, based on the decision of the Board of Directors of granting meeting allowances to the heads and members of the resulting committees of the Board of Directors stated as follows:

- The chairman of the committee is to be granted meeting allowance of 9.000 AED for each meeting attend.
- The member of the committee is to be granted meeting allowance of 7.000 AED for each meeting attended.

In 2003, the Audit Committee has held five meetings, while the rewards and nominations committee has held one meeting. For the investment committee, it did not hold any meeting in 2013, consequently, the following has been paid:

**First : the Auditing committee :**

Sheikh/ Ahmed Mohamad Sultan Al Dhahiri	Head of the committee	45.000 AED	Attendance of 5 meetings
H. E/ Ahmed Ali Khalfan Al Dhahiri	Member of the committee	28.000 AED	Attendance of 4 meetings
H.E./ Abdullah Sideeq Khory	Member of the committee	21.000 AED	Attendance of 3 meetings

**Second: the rewards and nominations committee:**

Sheikh/ Ahmed Mohamad Sultan Al Dhahiri	Head of the committee	90.000 AED	Attendance one meeting
H. E/ Ahmed Ali Khalfan Al Dhahiri	Member of the committee	7.000 AED	Attendance one meeting
H.E./ Abdullah Sideeq Khory	Member of the committee	7.000 AED	Attendance one meeting

**- Statement of the numbers of Board meeting which held during the financial year ended on 31/12/2013:-**

In 2013, the Board of Directors has held six meetings in accordance with the Resolution No.(518) for the year 2009 concerning the controls of governance and standards of institutional discipline, Article (3) clause no. (6) and the statute of the company.

The statements of these meetings that have been held during 2013 as follows:

No.	Meeting	Date of the meeting	attendance
1	First	07/01/2013	Seven members
2	Second	25/02/2013	Nine members
3	Third	29/04/2013	Five members
4	Fourth	28/07/2013	Six members
5	Fifth	30/10/2013	seven members
6	Sixth	31/12/2013	Five members

The statement of personal attendance of the members of the Board of Directors as follows:

Name	Position	1	2	3	4	5	6	Personal attendance /total numbers of meetings
H.E. / Nader Ahmed Mohamad Al Mahady	The chairman of the Board of Directors	√	√	√	√	√	x	5/6
Shiekh / Ahmed Mohamad Sultan Al Dhahiri	Vice - chairman of the Board of Directors	√	√	√	√	√	√	6/6
H.E./ Ahmed Ali Khalfan Al Dhahiri	member	x	√	x	√	√	√	6/4
H.E. / Khalifa Yusuf Abdullah Khory	Member	√	√	√	x	√	√	6/5
H.E. / Abdullah Sedeek Khory	Member	x	√	√	√	x	√	6/4
H.E. / Hameed Abdullah Ali Al Shamry	Member	√	√	x	x	x	√	6/3
H.E. / Seif Saeed Mohamad Aldhahiri	Member	√	√	√	√	√	√	6/6
H.E. / Saeed Ali Saleh Al Kewity	Member	√	√	x	x	√	x	6/3
H.E. / Yusuf Abdel Aziz Ahmed Al Harmody	member	√	√	x	√	√	x	6/4

Noting that, all members of the Board of Directors who were absent from some meetings of the Board were due to excuses that have been accepted by the Board of Directors.

- Statement of tasks and jurisdictions delegated by the board of Directors to the Executive Management :-

- 1- Management of the company works in line with the strategic objectives of the company and the approved policies of the Board of Directors, the provisions of law and the provisions of other legislations related to the work of the company and its activities.
- 2- Providing the Board of Directors with periodic reports on the financial status of the company, its work procedures taken in management of risks and internal control system, to enable the Board of Directors to audit the objectives, plans, prescribed policies and accountability of the executive administration for its performance.
- 3- Providing the members of the Board of Directors with any information and necessary documents for the meetings of the Board of Directors of the company and providing the members of the Board of Directors with this information before the appropriate time.
- 4- Submitting recommendations regarding any proposals deemed as necessary relating to the business of the company.
- 5- Providing the regulatory bodies (the Ministry of Economy, the Securities and Commodities authority – Abu Dhabi Securities, Commodities, etc.) with any information, data and required documents pursuant to the provision of law, regulations, instructions and decisions issued under any of them.

- **The transactions among the group companies and the related parties ( stakeholders ) :**

The transactions of the Group companies have been disclosed with the relevant parties – according to the definition of the international Auditing Standard (IAS) No. 24 – in note number (10) of the audited financial statements.

- Commercial transactions between the group companies and other related parties with a value of 360.8 Million Dirham ( AED)
- Due payment to the group companies with the amount of 83.07 Million Dirham.
- Due payment by the group companies with the amount of 55.2 million Dirham.

- **A detailed statement of senior executives in the company and the total salaries and bonuses paid to them in 2013 :**

No.	Name	Job title	The date of appointment	Total salaries paid to them in 2013	Total bonuses, allowances paid to them in 2013
1	Mohamad Ibrahim Mohamad Al Mazrouei	General manager	07/11/1988	1.087.428 AED	1.480.716 AED
2	Ahmed Ismaeel Alkhory	Business development advisor	08/10/2006	623.700 AED	981.675 AED

**Fourth: the external auditors:**

Deloitte Touché Tohmatsu Company (Middle East) undertakes the process of external auditing of the company and it is considered one of the pioneering companies in the Middle East in regards with professional services where it undertakes the services of auditing and risk management and tax in companies. In addition to financial and administrative consulting the company has more than 500 employees in its branches scattered in all emirates.

Auditing office name	Deloitte Touche
The years number spent as external auditor to the company	11 years with a change of the partner in charge every four years
Total fees for the Audit of the financial statements for 2013 (AED)	220.000 AED
Fees and costs for the other services other than auditing of the financial statements for 2013 (AED)	No
Details and nature of the other services provided	-

The fees of the external auditor are to be determined and allocated by the shareholders at the ordinary General Assembly of the company each year. On 26/03/2013, the ordinary General Assembly of the company approved the appointing of Deloitte Touché Tohmatsu Company (Middle East) as an external auditor for the year 2013; this is based on the proposal of the Board of Directors of the fees of 220 thousand Dirhams (AED) with a change of the partner in charge.

The fees of the external auditor are to be shown in the financial statement of the company yearly, where these fees demonstrated in the audited and financial statements for the year ended on 31/12/2013.

Where the external auditor (Deloitte Touche) gained an auditing fees for the parent company, auditing and integrating the consolidated financial statements for the group amounted as 220,000 Dirham ( AED) for the year 2013.

It also will show the proposal of the Board of Directors to re-appoint the external auditor (**Deloitte Touche**) at the ordinary General Assembly of the company, which will be held during 2014.

No external auditor assistance was employed during the year 2013 to offer any additional services for the company beyond the auditing task.

**Fifth: the Audit committee**

Based on the report of the governance committee submitted to the Board of Directors, the Board of director decided, in Resolution No. (2/3) at a meeting of the Board of Directors, session number (2) for the year 2011, the formation of the Audit committee of the Board Members in accordance with the rules of corporate governance and in accordance with the requirements of governance and the membership of the committee as follows :

No.	The name	The membership
1	Shiekh / Ahmed Mohamad Sultan Al Dhahiri	Head of the committee
2	H.E. / Ahmed Ali Khalfan Al Dhahiri	Member in the committee and an economic and financial expert
3	H.E. / Abdullah Sedieq Khory	Member

**The tasks and duties of the Audit committee as follows:-**

- 1- Develop and apply contracting policy with external auditor and submit a report to the Board of Directors determining the important issues which need an action, and submit its recommendations concerning the necessary steps that should be taken.
- 2- Independently follow up the external auditor and the extent of its objectivity and discuss the nature and scope of the audit process and its effectiveness according to the adopted auditing standards.
- 3- Monitor the safety of the company's financial statements and its reports (annual, semi – annual and quarterly) and review it as a part of their regular work during the year.
- 4- Review the financial control systems, internal control and risk management of the company.
- 5- Review the message of the external auditor, his work plan and any substantial queries questioned by the Auditor to the management relating to the accounting records, financial accounts, financial accounts or systems of control, its response and its approval.
- 6- Develop the controls that enable the employees of the company to report any possible irregularities in the financial reports or internal observation or other in secret, and the appropriate steps of conducting independent and fair investigations for these irregularities.
- 7- Monitor the company's compliance with the rules of professional conduct.
- 8- Discuss the internal monitoring system with the management and ensure the performance of its duty in establishing an effective system of internal monitoring.

During 2013, a meeting was held between the internal and external auditor of the company on Wednesday, 10/30/2013, to discuss the following:

- The general risks of the Group
- Notes of internal Audit of the group and restructuring procedures in Maximus Company.
- Notes of the external Audit and provisions subjected to discussion
- The obstacles facing the internal Audit staff within the group
- Discuss the Internal Audit Plan for the year 2014 and the plan of the Internal Auditor for Maximus Company.
- Ensure the independency of the external Auditor and changing the authorized partner of the external auditor.

Noting that, an Internal Audit Department has been established in the company in 2009 and reported to the Audit Committee directly. The Internal Audit enjoys full independency, has the right to raise the reports to the management, follow-up the compliance of all departments in the group companies. In addition to this, the internal Audit appointed Mr. / Mohanad Abdel Hady as the Chief Executive of the internal Audit for the group because of his qualifications and long experiences in the field of auditing and risks of business, as he holds a BA in Accounting and he is CIA and a member of American Internal Auditors Society. Mr. Arnel Liego was appointed as a compliance officer as he is a holder of a Bachelors degree in Accounting, a Certification in Internal Auditing, as well as having seven years of experience in internal auditing.

It is worth mentioning that all internal Audits processes for the group companies carried out in accordance with the Auditing plan for 2013, which ratified by the members of the Audit committee, follow- up and compliance processes in Abu Dhabi Aviation and Royal Jet Company ongoing throughout the year.

In addition, follow-up operations are currently underway for completing all the deficiencies and observations that demonstrated during the internal Audit Process in some departments of Abu Dhabi Aviation and Royal Jet Company.

The records of possible risks will be updated, which the group may face during the year 2014, as the last update was in 2012.

During the year 2013, the Auditing committee held five meetings and its statements as follows:

The meeting	The date of the meeting	attendance	The percentage of attendance
First	8/01/2013	Two members	Abdullah Sedeeq Khory was absent due to acceptable excuse
Second	25/02/2013	Three members	All the members of the committees have attended
Third	29/04/2013	Two members	Ali Khalfan Al Dhahiri was absent due to acceptable excuse
Fourth	28/07/2013	Three members	All the members of the committees have attended
Fifth	30/10/2013	Two members	Abdullah Sedeeq Khory was absent due to acceptable excuse

**Sixth: the committee of nomination and remuneration:**

Based on the report of the governance committee submitted by the Board of Directors of the company, the Board of Director have decided in a resolution number (2/3) in the meeting of the Board of Directors. – session number ( 2) – for the year 2011 – formation of the nomination and rewards committee of the Board of Directors’ members in accordance with the rules of corporate governance and according with the requirements of governance and the membership of the committee as follows:

Name	Membership
Sheikh / Ahmed Mohamad Sultan Al Dhaheri	The head of the committee
H. E / Ahmed Ali Khalfan Al Dhaheri	Member
H.E / Abdullah Sedeeq Khory	Member

**The tasks and duties of the nominations committee as follows:-**

- 1- Ensuring the independence of the independent members continuously.
- 2- Setting the policy for granting rewards, benefits, bonuses and salaries for the members of the Board of Directors and staff, and reviewing it annually, and the committee shall ensure that the rewards and benefits granted to the executive management of the company are reasonable and proportionate to the performance of the company.
- 3- Determining the needs of the competencies to the company at the level of senior executive management and employees and the basis of their choosing.
- 4- Setting the policy of Human Resources and training in the company, monitoring its application and reviewing it annually and reviewing any amendments to the organization structure.
- 5- Organizing and following up the procedures for nomination for the membership of the Board of Directors in Accordance with the laws, regulations, and Decree Number (518) of 2009 relating to the governance controls and the standards of institutional discipline.

During 2013, the committee of nominations and rewards has held one meeting and its statement as follows:

Meeting	Date	Attendance	The percentage of the attendance
First	09/02/2013	All members	100%

### **Seventh: the Internal Control System:**

The department of the Internal Control was established in accordance with the provisions of Article (8) of the Ministerial Decree No. 518 of 2009 on rules of governance and standards of institutional discipline. The subsidiarity of this administration is directly to the company's Board of Directors in order to ensure the independence of the management. The Board of Directors is responsible for its reviews. That administration aims to develop an assessment of the means and procedures for risk management in the company, to study the effectiveness of the control and application of the rules of governance, to verify the commitment of the company and its staff to the provisions of laws, regulations and decisions which organize its work, internal policies and procedures and to review the financial data which to be presented to the Senior Management of the company. That financial data are used in the preparation of financial statements. The Internal Control System represents a necessary and fundamental basis to check the accuracy of financial statements and verify their ability to achieve the maximum productivity adequacy needed to maintain the investment.

Mr. / Ashraf Fahmi acts as the Manager of the Internal Control Department due to his qualifications and long experience in this field. He holds a Bachelor of Commerce in addition to being a chartered accountant and member of the British Society of Accredited Chartered Accountants. He also designed systems and computer applications supported by Microsoft.

It is worth mentioning that the company adopts international standards for the Internal Control in order to achieve the desired objectives efficiently. It is represented in the foundations of Internal Controls to ensure the following:

- Reasonableness and compatibility of information and data. -
- The extent to cope with policies, plans, procedures, regulations, and laws. -
- The extent to protect the assets and properties of the company. -
- The extent to which the activities, operations and programs cope with the specified goals, objectives, and strategy and to make sure of the extent to which supervisory bodies to apply them in accordance with plans and objectives.
- Confirmation of control and prevention in order to prevent the occurrence of undesirable events and correct inappropriate business which is directed towards the desirable achievements and encourage its repetition.
- To ensure the safety and efficiency of the Internal Control elements which are consisting of the following

- The regulatory body.
- The risk assessment.
- Internal oversight activities.
- Information and Communication .
- Inspection and Control.

The methods of Internal Control , which the Internal Control system contains , helps Governance through Corporate Governance to reach a reasonable degree of emphasis when assessing and evaluating the financial and operational outcomes so that the profits can be estimated and compared to the costs .

An Internal Control System also has been developed in order to monitor, periodically evaluate the risks that the company may face, maintain a link between the Board and the External Auditor, achieve independence to reach transparency and full disclosure of the financial statements through the quality of professional performance.

The Department of Internal Control represented by the Manager of Internal Control:

1. The preparation of the annual audit plan in coordination with the Board of Directors and the Directors of the concerned departments involved or the heads of other departments of the company.
2. The implementation of the approved internal control plan in addition to the implementation of any tasks or other special projects requested by the Board of Directors.

The Manager of Internal Control would detailed reports to the Board of Directors for the evaluation of the internal control system, showing the notes and, if necessary, making suggestions to regularly fill gaps in the internal control system at any time it deems in accordance with the requirements of that evaluation.

The powers of the manager of Internal Control are as follows:

- Unrestricted access to all functions, records, properties and personnel.
- The allocation of resources of the control management, selection of tasks, determination of the scope of work of the internal control and the application of the techniques needed to complete the audit.
- To get the necessary assistance from the staff at the various departments of the company to carry out the internal control tasks in addition to other specialized services within or outside the company.

The Internal Control System will be presenting reports to the Audit Committee in the case of unveiling of certain problems that the company is facing. The Audit Committee in turn would study the case presented and suggest its recommended courses of action, which consequently would be raised to the Board of Directors for the final ruling.

There were no major problems reported that the Internal Control System had dealt with during the year 2013.

**Eighth: offenses committed during the year:**

No offenses against the Abu Dhabi Aviation Co. were reported in 2013.

**Ninth: The contributions of the company in 2013 in community development and environmental conservation:**

During 2013, Abu Dhabi Aviation Co. kept up with its commitments in providing a safe working environment for its employees and all those who work for it. The effective management of environment, health, security and safety still contributing as an integral and important part in everything it does and an important part of the company's main activities. Contributions of the company, for example but not limited, are the following:

- Participation and sponsorship for the 42<sup>nd</sup> National Day of the United Arab Emirates.
- Participation in the International Exhibition of Defense and international conferences in Abu Dhabi in 2013.
- Participation in providing support to the police and the army .
- Participation and sponsorship for Abu Dhabi Aviation Exhibition for the year 2013.
- Participation in Abu Dhabi Desert Rally in 2013.
- Participation and sponsorship for the seventeenth open championship of the Armed Forces Officers Club.
- Participation in the air ambulance service for the ADNOC Group.
- Abu Dhabi Aviation is sponsoring the Forum of Global Financial Markets.
- Participation in Dubai Aviation Exhibition for the year 2013.
- Participation in the activities of Red Bull celebration over Burj Al Arab in Dubai
- Participation in the marketing of the United Arab Emirates and its landmarks worldwide through the celebration of 100 years of Aston Martin automobile company through mounting Aston Martin car on top of the Burj Al Arab in Dubai.
- The representation of Abu Dhabi Aviation in Kuwait International Fair of oil and gas in 2013.

**Tenth: General Information:**

The Abu Dhabi Aviation is a corporation - public company with contributions from the Government of Abu Dhabi (Abu Dhabi Investment Council) with 30% of the company's capital amounting to 404.352 million AED.

It is worth mentioning that Abu Dhabi Aviation group is consisting of:

- 1) Abu Dhabi Aviation Co. (the parent company)
- 2) Royal Jet, a subsidiary company in which Abu Dhabi Aviation Co. contributes with 50% of its capital in partnership with the Presidential Flight.
- 3) Maximus Air Company, a subsidiary company in which Abu Dhabi Aviation Co. owns 95% of its capital.

The Abu Dhabi Aviation Co. is currently the largest operator of airlines service in the Middle East region. The expansion of the company's business in the global markets has become a safe haven for the entry of "Abu Dhabi Aviation" in the list of the international companies operating in the same field. Abu Dhabi Aviation Co. exists in 7 global markets.

As for Royal Jet, it is operating in the field of luxury aviation services (VIP). The most important service provided by the company is hiring private jets for executive businessmen in the Middle East region. It also provides medical evacuation services and aircraft management services owned by a third party.

Royal Jet is currently the best provider of private aviation services and one of the world's leading companies specializing in the field of private luxury aviation services (VIP). In late 2013, it has been approved to transfer the ownership of five BBJ aircrafts from the ownership of the Presidential Flight to the ownership of Royal Jet and adopt a plan of replacing the fleet.

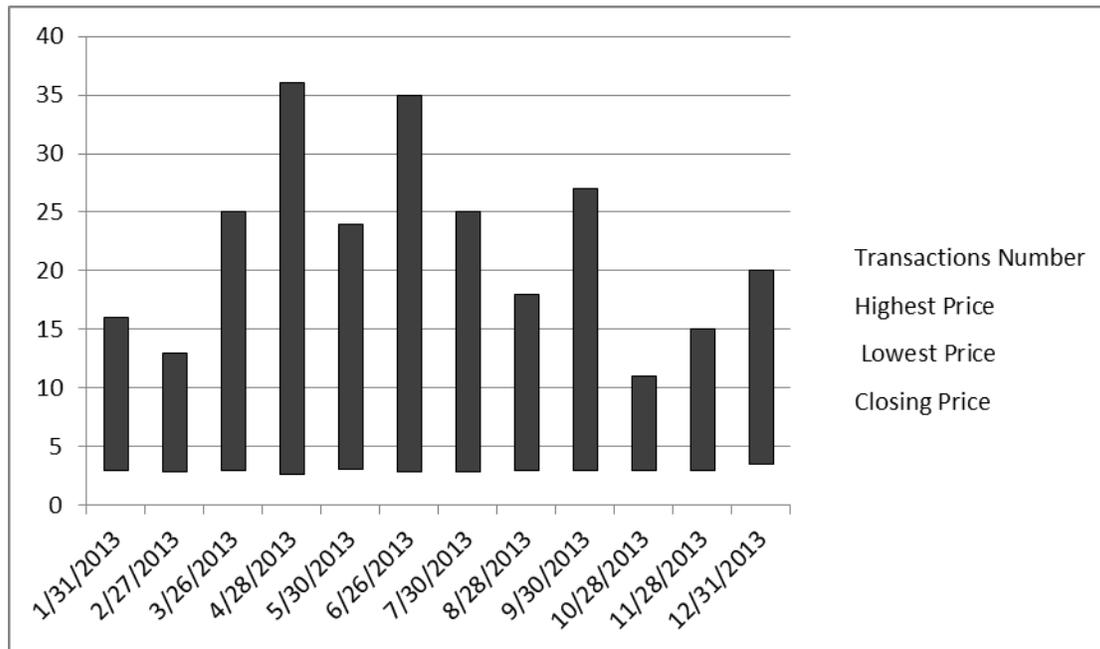
As for Maximus Air, its works are ranging from charter flights of institutions, individuals, governmental flights, relief and humanitarian aid flights, military flights and other commercial flights. At the end of 2013, Maximus Company was restructured in order to reduce costs and return to profitability. Also three Airbus aircrafts were sold.

It is worth mentioning that Abu Dhabi Aviation Co. is one of the first companies that have been listed in Abu Dhabi Securities Market. In 2013, about 14,741,589 million shares were traded at prices ranging from AED 2.95 and AED 3.50, according to the following data:

**Statement of trading shares of the company in terms of number and value distributed on months of 2013**

Closing Price	Lowest Price	Highest Price	Transactions Number	Trading Value	Number of Trading Shares	Date
2.95	2.94	2.95	16	3,539,138.08	1,291,114.00	1/31/2013
2.85	2.85	2.85	13	882,224.11	306,158.00	2/27/2013
2.99	2.99	3.03	25	1,840,008.57	614,443.00	3/26/2013
2.6	2.6	2.6	36	3,077,791.00	1,186,700.00	4/28/2013
3.06	3.06	3.12	24	6,462,264.96	2,104,272.00	5/30/2013
2.85	2.85	2.85	35	3,411,520.30	1,147,278.00	6/26/2013
2.9	2.85	2.9	25	4,476,573.35	1,562,754.00	7/30/2013
3	3	3	18	7,498,125.40	2,445,244.00	8/28/2013
2.95	2.95	2.95	27	4,281,091.10	1,419,200.00	9/30/2013
2.95	2.95	3	11	1,405,517.70	470,606.00	10/28/2013
2.95	2.95	2.95	15	2,596,547.60	884,844.00	11/28/2013
3.5	3.5	3.5	20	4,516,111.81	1,308,976.00	12/31/2013
			265	43,986,913.98	14,741,589.00	

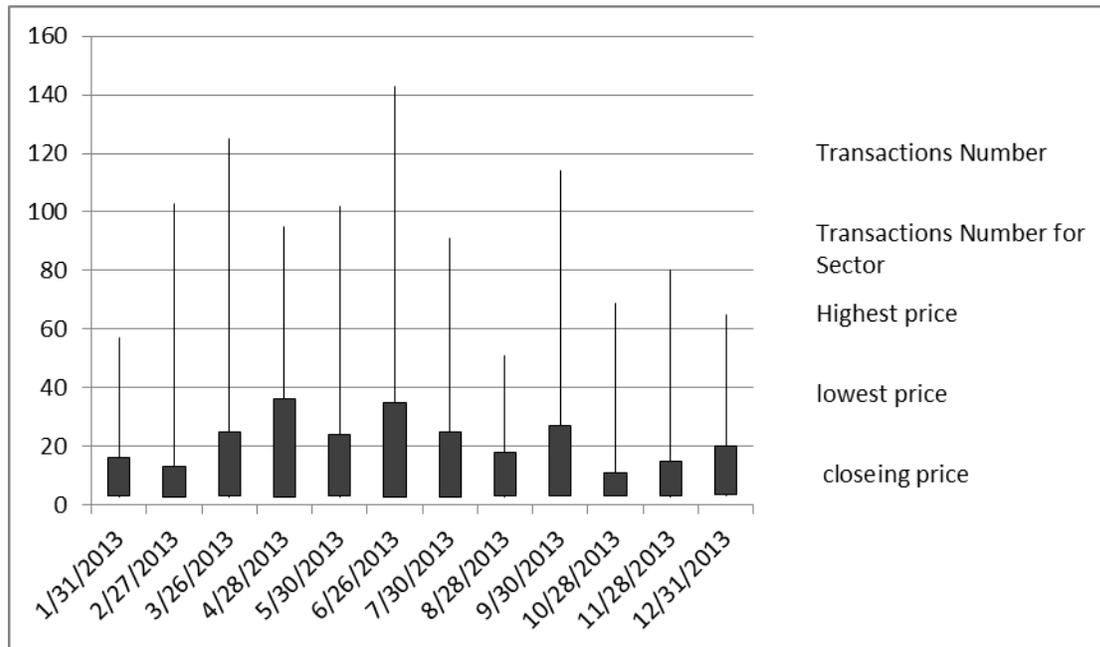
The next diagram shows the trading shares:



**A comparative statement for the company's share price and the number of transactions compared with the sector and the general index of the market:**

Date	Company's Share Price	Shares Price for Sector	General Market Price	Transactions Number for Company	Transactions Number for Sector	Transactions Number for Market	High	Low	Close
31/01/2013	2.88	2,126.56	2,881.78	16	57	37,246.00	2.95	2.7	2.95
28/02/2013	2.95	2,182.01	3,044.89	13	103	38,049.00	2.95	2.8	2.85
31/03/2013	2.85	2,226.85	3,025.33	25	125	26,531.00	3.03	2.87	2.99
30/04/2013	2.99	2,222.20	3,273.63	36	95	29,269.00	3.03	2.52	2.6
31/05/2013	2.6	2,480.65	3,562.88	24	102	57,321.00	3.17	2.61	3.06
30/06/2013	3.06	2,368.94	3,551.24	35	143	58,456.00	3.1	2.85	2.85
31/07/2013	2.85	2,514.84	3,847.43	25	91	42,992.00	2.95	2.8	2.9
31/08/2013	2.9	2,569.51	3,734.55	18	51	38,495.00	3.12	2.9	3
30/09/2013	3	2,606.80	3,842.98	27	114	57,849.00	3.15	2.95	2.95
31/10/2013	2.95	2,569.51	3,734.55	11	69	38,863.00	3.05	2.95	2.95
30/11/2013	2.95	2,472.23	3,849.84	15	80	42,402.00	3	2.75	2.95
31/12/2013	2.95	2,741.55	4,290.30	20	65	88,765.00	3.55	3.04	3.5

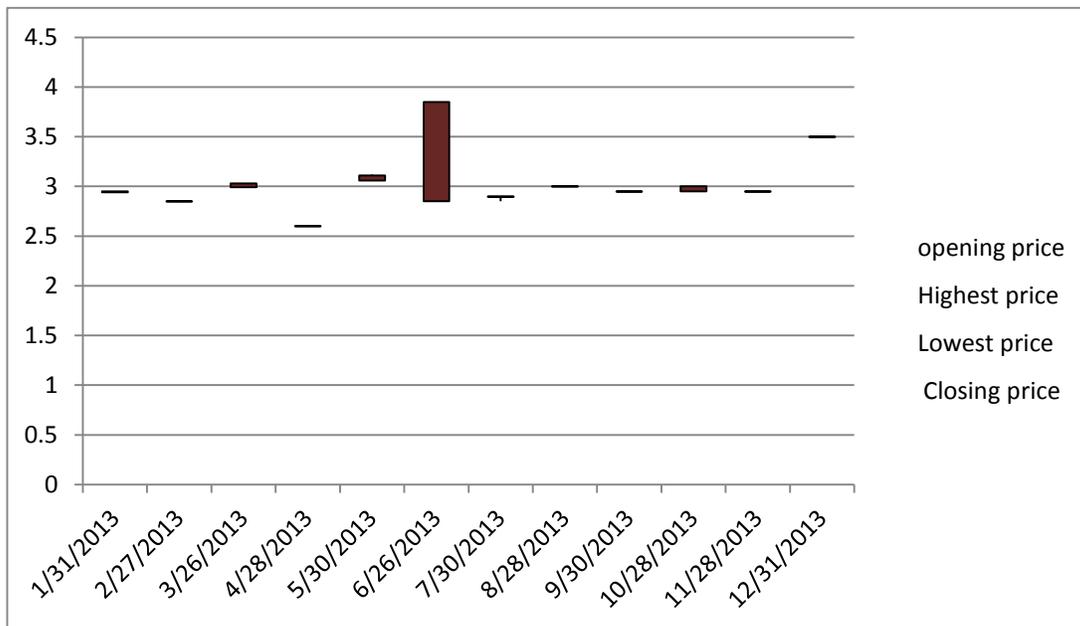
**The following diagram shows the comparison of the company's share price and number of transactions compared with the sector and the general index of the market:**



**Statement of the movement of the share price in 2013**

Close	low	High	Open	Date
2.95	2.94	2.95	2.94	1/31/2013
2.85	2.85	2.85	2.85	2/27/2013
2.99	2.99	3.03	3.03	3/26/2013
2.6	2.6	2.6	2.6	4/28/2013
3.06	3.06	3.12	3.11	5/30/2013
2.85	2.85	2.85	2.85	6/26/2013
2.9	2.85	2.9	2.9	7/30/2013
3	3	3	3	8/28/2013
2.95	2.95	2.95	2.95	9/30/2013
2.95	2.95	3	3	10/28/2013
2.95	2.95	2.95	2.95	11/28/2013
3.5	3.5	3.5	3.5	12/31/2013

The following diagram shows the movement of the share price in 2013

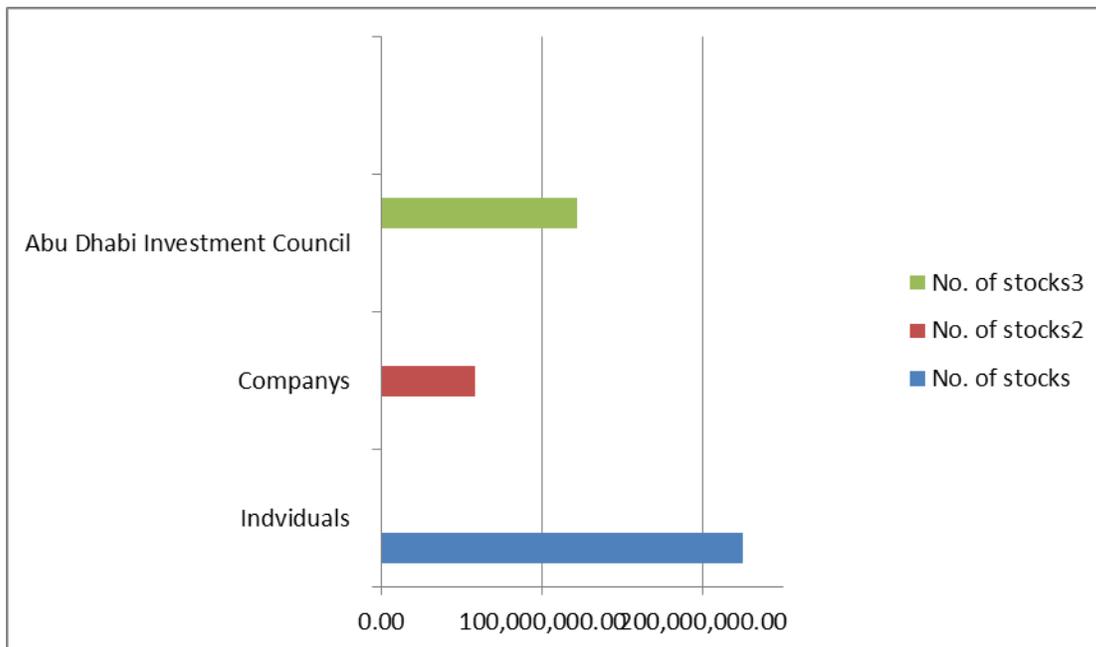


Market Value	Trading Value	Transactions Number	Total for 2013
43,986,913.98	14,741,589.00	265.00	Abu Dhabi Aviation
3,138,706,992.30	2,717,482,136.00	19,978.00	Services Sector

**The distribution of ownership equity as of 31/12/2013 (individuals, companies and governments)**

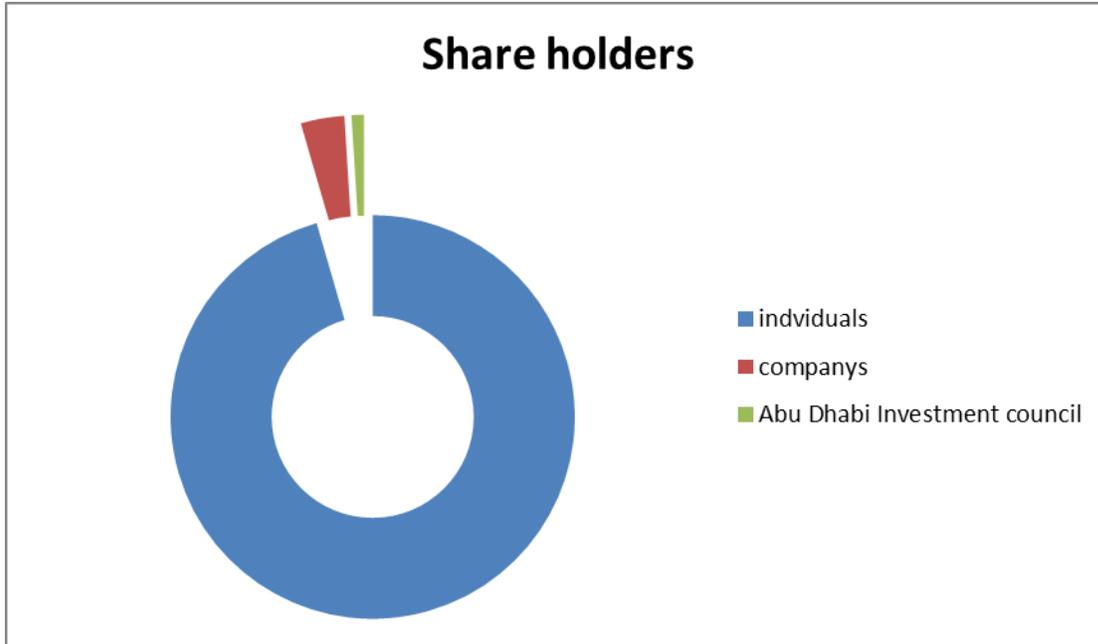
Abu Dhabi Investment Council		Companies		Individuals		Total	
Number of Shareholders	Shares Number	Number of Shareholders	Shares Number	Number of Shareholders	Shares Number	Number of Shareholders	Shares Number
1	121,305,600	26	57,638,847	697	225,407,553	724	404,352,00

**The following diagram shows the number of shares of shareholders**



No shareholder of the company's shareholders, whether individuals or companies owns 5% or more except Abu Dhabi Investment Council which owns 30% of the company's capital.

The following diagram shows the number of shareholders



It is clear from the previous presentation that the company's shares are distributed as follows:

1. 30% of the company's shares (121, 305, 600 shares) are owned by the Government of Abu Dhabi, represented by the Abu Dhabi Investment Council .
2. 56 % of the company's shares (225, 432, 553 shares) are owned by Emirati shareholders
3. 14 % of the company's shares (57,613,847 shares) are owned by 26 national companies in the United Arab Emirates .

Based on the statute of the company, no one owns the shares of the company except who has the nationality of the state .

It is worth mentioning that there were no radical events that took place during the year 2013.

## Chairman