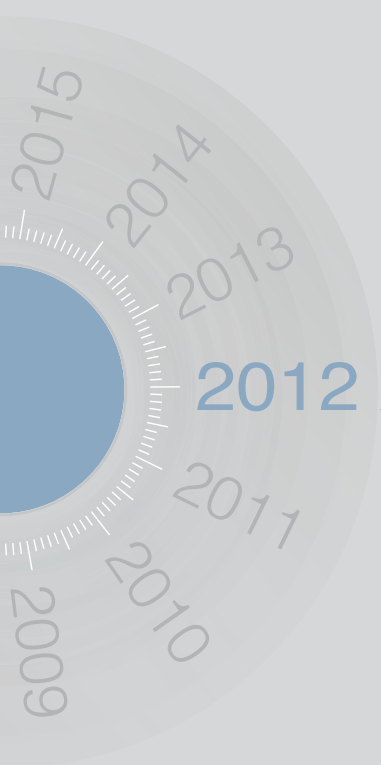


ANNUAL REPORT **2012**



الواحة كابيتال
Waha Capital



2012 ANNUAL REPORT

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About Waha Capital



Waha Capital PJSC is a diversified investment company based in the United Arab Emirates, whose aim is to build sustainable and attractive returns for its shareholders by managing and deploying capital in areas where the company sees opportunity and can add value.

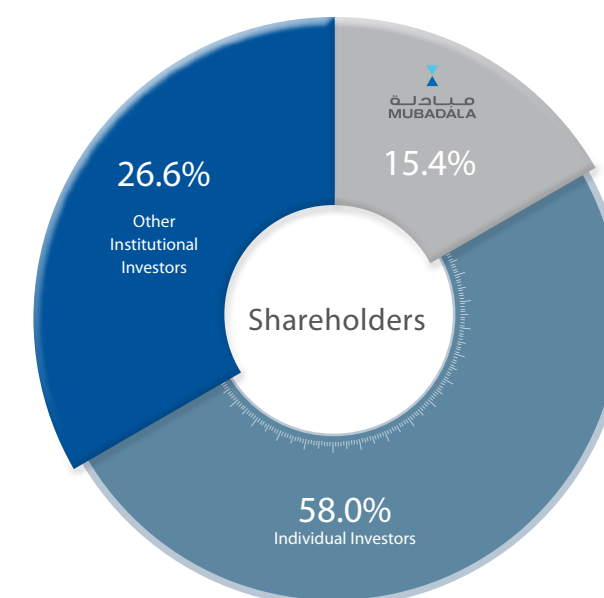
The Abu Dhabi-listed company has invested primarily in aircraft leasing, offshore oil and gas services, industrial real estate development and financial services.

While Waha Capital manages assets globally, the company is deeply rooted in Abu Dhabi's economy. By investing in key growth sectors, the company

is helping to develop a dynamic private sector – a central component of the Government's economic diversification plans, as set out in its Abu Dhabi Economic Vision 2030 strategy.

Waha Capital operates at the centre of a strong business network in the United Arab Emirates and the wider Middle East region. The company enjoys a close affiliation with some of Abu Dhabi's key investment and financial institutions, including its largest shareholder Mubadala Development Company. Waha Capital values its existing relationships and continues to build new associations and explore co-investment opportunities with local and international partners.

Our Shareholders



**“Our principal aim is to create value
and maintain sustainable profitability
for our shareholders”**

Chairman’s Message



Dear Shareholders,

I am pleased to announce that Waha Capital has recorded strong financial results for the tenth consecutive year, demonstrating the vision and the necessary skills to manage our business effectively and successfully.

Since moving its focus away from operational management of assets to managing a portfolio of investments, Waha Capital has demonstrated that its prudent approach has proven to be successful. We have developed valuable expertise in a number of specific sectors in which we invest, currently comprising financial services; aviation and marine services, and industrial real estate. While we will seek to further expand our investment horizons in

the coming years, our objective remains to ensure that the quality and potential for growth of our existing assets are secured. In 2012, we continued to work hard to ensure that our balance sheet remains strong, our corporate governance robust, and that capital is available to seize investment opportunities as they arise.

Based in Abu Dhabi, Waha Capital is fortunate to have a solid platform for future growth. The outlook for the UAE in the year ahead is very positive and our prospects remain encouraging, despite the much needed recovery in the European and North American economies. In particular, we see a number of sectors that are priority areas for

Our Vision for Success

the UAE and which provide Waha Capital with fertile ground for expansion over the coming year. The confirmation of the Abu Dhabi Government in 2012 of its commitment to invest some \$90 billion in local infrastructure over the next five years provides added confidence to the local economy and to companies that are vested in it.

While we strive to continuously support Abu Dhabi’s strategy for economic diversification, our strategic priority remains to grow shareholder value. Our partnerships are crucial to us. We value the strong and fruitful relationships that we have with some of Abu Dhabi’s most prominent institutions, which include various regional and international banks, and continue to develop highly beneficial relationships with investors, joint venture partners, and potential strategic investors.

On behalf of the Board of Waha Capital, I would like to express our gratitude for the ongoing support and guidance of the Government of Abu Dhabi, and the visionary leadership of H.H. Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and Supreme Commander of the UAE Armed Forces, and H.H. General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces and Chairman of the Abu Dhabi Executive Council.

Moreover, I would like to thank the Board of Directors for their contribution and wisdom in leading the company. Their dedication and experience has been invaluable in charting our course for the future. My appreciation also goes to Waha Capital’s management and employees for their diligence and commitment throughout the year.

Yours sincerely,

Hussain J. Al Nowais
Chairman of the Board



CEO and MD Message



Dear Shareholders,

Waha Capital has once again achieved encouraging performance in 2012, marking its tenth year of consecutive profitability. The company recorded net profits of AED 214.44 million, a 38.1 percent increase over the previous year, with our key portfolio companies performing well against a backdrop of continued global uncertainty.

This resilience has placed the company in a strong position, allowing us to confidently steer ahead as we roll out a growth plan, which will focus primarily on our home market of Abu Dhabi and the wider GCC region, where we believe business environment is underpinned by very strong macro-economic fundamentals. The increase in profit in 2012 was attributable to strong performances from our investee companies, which include New York-

listed AerCap Holdings, Dunia Finance and Stanford Marine Group (SMG).

AerCap, the world's leading independent aircraft leasing company, continues to operate at the forefront of its industry. In 2012, the company signed \$1.5 billion of new financing and delivered further on its strategy to rejuvenate its fleet, with transactions in 2012 reducing the average age of its aircraft to 5.1 years, from 5.8 years. Waha Capital chose not to participate in AerCap's 2012 share buy-back initiative, resulting in an increase in our stake to 26.3 percent, from 21.3 percent at the end of 2011. We are confident in AerCap's growth prospects, owing to its robust business model and strong capital position.

A strong platform for growth

SMG also reported a solid performance in 2012, recording a utilization rate of 92 percent and successfully renewing charters for 11 vessels. The company also took delivery of two new vessels, both of which are now currently under charter, and is in a strong position to take advantage of opportunities in the Arabian Gulf and also expand into new markets for oil and gas services.

Dunia Finance, co-founded by Waha Capital in 2008, continues to show impressive growth in the UAE consumer finance arena, with net income increasing four-fold in 2012. This business still has high potential for growth in a market which has been traditionally underserved.

Meanwhile, Waha Land completed the first phase of its light industrial and warehousing development ALMARKAZ in 2012. The project is now seeing strong leasing interest in all its offerings, including serviced land plots as well as build-to-suit and turn-key units.

Our performance in the last couple of years in a difficult global economic environment gives the company strong grounds for optimism as we embark on a strategy for growth. We have an excellent investment team in place and a strong pipeline of potential investments, where we believe we can add value and achieve our priority – providing ever more attractive returns for our shareholders.

Operationally, we will maintain a prudent approach to financial management, and continue to focus on increasing our efficiency in the way we manage our assets I believe this will be supported by the company's firm commitment to implementing the highest international standards of corporate governance across our business.

Over the past two years, Waha Capital's management has concentrated on ensuring the company is structured optimally to derive the most from our diversified assets. We have moved towards an "arm's length" approach, utilising our expertise in managing investments, while ensuring highly skilled and motivated teams are in place to manage the day-to-day operations of our portfolio businesses. With this strategy in place, we are now in a strong position to move ahead and seize attractive market opportunities as they arise.

Yours sincerely,

Salem Rashid Al Noaimi
Chief Executive Officer and Managing Director

Board of Directors



H.E. Hussain Jasim Al Nowais
Chairman

H.E. Al Nowais is the Chairman of Waha Capital. With over 25 years in business, finance and real estate, he is also Chairman of General Holding Corporation, Abu Dhabi Basic Industries Corporation, National Petroleum Construction Company, the Khalifa Fund for Enterprise Development, Al Nowais Investments, Danway Industries, Federal Foods, as well as Vice Chairman of Abraaj Capital and Sheikh Khalifa University for Science & Technology. H.E. Al Nowais holds a degree in Business Administration from Lewis and Clark College in Portland, USA.



Ahmed Bin Khalifa Al Daheri
Director

Mr. Al Daheri is Vice-Chairman and Managing Director of Ali & Sons Co. L.L.C., and is also Chairman of Foodco Holding PJSC, and Sense Gourmet PJSC. He also serves on the boards of Al Wathba National Insurance Co PJSC and Abu Dhabi Aviation. Mr. Al Daheri is a Certified Public Accountant. He holds a degree from Business & Economics major in Accounting from Seattle Pacific University, Seattle, Washington, USA.



Carlos Obeid
Director

Mr. Obeid is Chief Financial Officer of Mubadala Development Company and Chairman of Mubadala GE Capital, Viceroy Hotel Group, and Mubadala Capitaland Real Estate. He currently serves on the boards of several companies, including Ychsat, Mubadala Infrastructure Partners, Masdar, Injazat Data Systems, Cleveland Clinic Abu Dhabi, Aldar Properties, Advanced Technology Investment Company, and Globalfoundries Inc. He holds a BS in Electrical Engineering from American University of Beirut, Lebanon and a Masters in Business Administration from INSEAD in Fontainebleau, France.



Abubaker Seddiq Al Khoori
Vice Chairman

Mr. Al Khoori is the Managing Director of Sorouh Real Estate PJSC. He has served in this role for the past 4 years and has over 13 years of experience in the fields of finance and international investment. Mr. Al Khoori serves on the boards of several government and private institutions in the UAE. He holds a degree in Finance from Linfield College in McMinnville, Oregon, USA, and is a certified Chartered Financial Analyst (CFA) and a member of AIMR.



Salem Rashid Al Noaimi
Chief Executive Officer & Managing Director

Mr. Al Noaimi is the Chief Executive Officer and Managing Director of Waha Capital. He has extensive investment banking experience and has held several positions at the Dubai Islamic Bank, the UAE Central Bank and the Abu Dhabi Fund for Development. Mr. Al Noaimi serves on the boards of several companies, including Abu Dhabi Ship Building, Dunia Finance, Siraj Finance, the MENA Infrastructure Fund and AerCap. He holds a degree in Finance and International Business from Northeastern University in Boston, USA.



Fahad Saeed Al Raqbani
Director

Mr. Al Raqbani is the Director General of Abu Dhabi Council for Economic Development. He previously held senior roles at Mubadala Development Company and UAE Offsets Group, and is a board member of several companies including General Holding Corporation, Siraj Finance, Tanqia, Addax Bank and Abu Dhabi Basic Industries Company. He holds a BA in International Economics from The American University of Paris and a Masters degree in Finance and Risk Management from Lille Graduate School of Management.



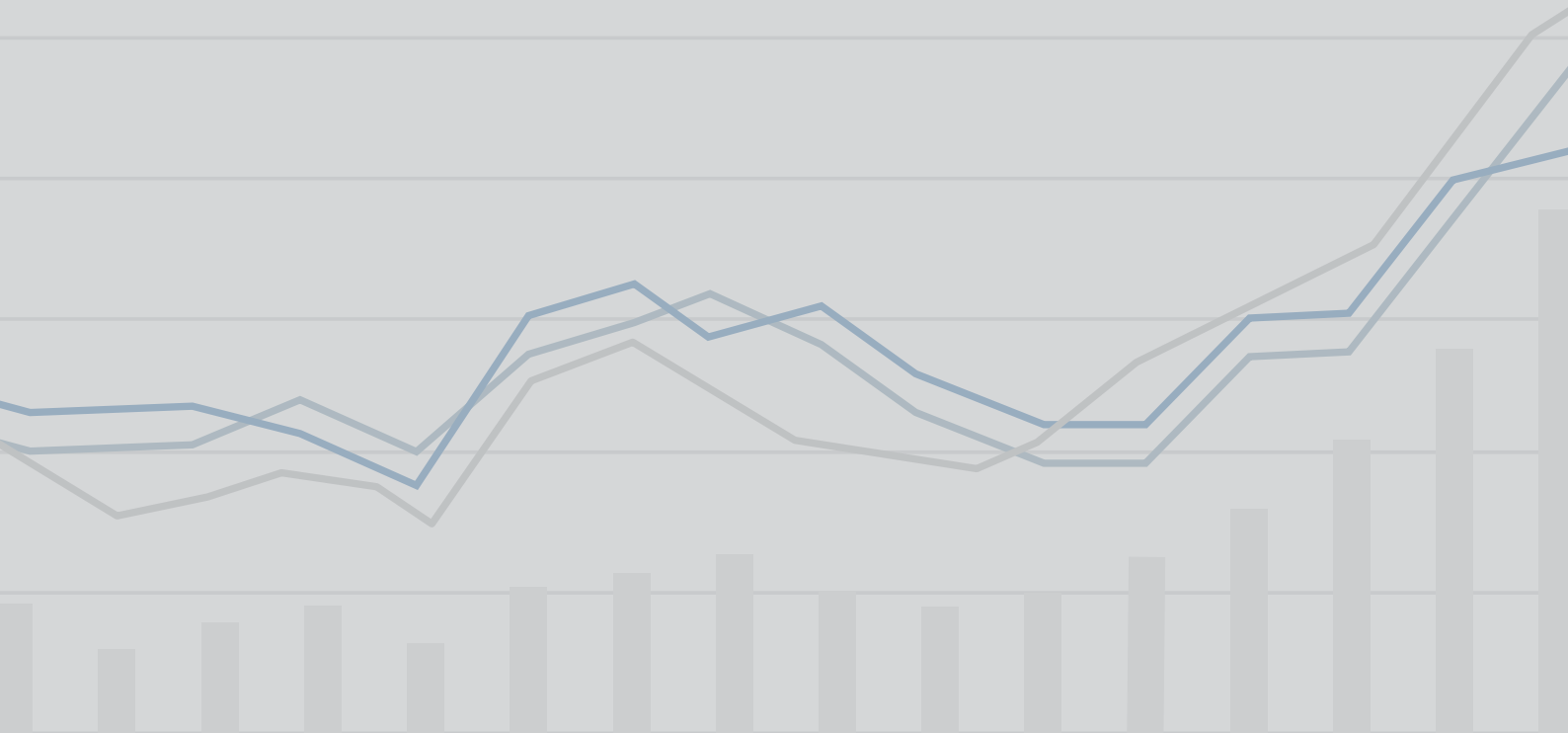
Mansour Mohamed Al Mulla
Director

Mr. Al Mulla serves as an Advisor - Structured Finance at Mubadala Development Company. Key deals he advised on include financings of Dolphin Energy, including the recent 10 years \$1.3 bn bond issued in February 2012, the leveraged finance for SR Technics and the financing of the purchase of Mubadala's stake in LeasePlan Corporation. Mr. Al Mulla serves on the boards of Abu Dhabi Finance, Aldar Properties and Dunia Finance. He holds a degree in Business from Portland State University, USA.

Financial Overview

Figures in AED Millions

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Operating Income	464.2	386.1	657.5	846.2	494.6	446.2	335.1	219.8	202.1
Net Profit	214.4	155.3	249.1	216.8	40.0	170.7	95.8	28.1	7.9
Total Assets	4,435.1	4,202.9	3,800.5	4,253.6	4,718.3	4,479.8	3,902.4	2,849.7	1,961.7



Company Profile

A Diversified Investor

Waha Capital is a leading diversified investment company based in the UAE, whose aim is to generate sustainable and attractive returns for its shareholders by deploying capital in areas where the company sees and can add value.

The Abu Dhabi-listed company invests primarily in aircraft leasing, offshore oil and gas services, real estate development and financial services. It has built up businesses through organic growth, invested in listed and unlisted companies, and co-invested alongside regional and international partners.

Company History

Waha Capital's origins date back to 1997, when Oasis International Leasing Company PJSC was established to provide financing and leasing on big-ticket assets such as aircraft, ships and infrastructure assets. The company listed on the Abu Dhabi Securities Exchange in 2000, and restructured seven years later to extend its investment expertise into new areas to further support Abu Dhabi's economic diversification strategy. Oasis Leasing was renamed Waha Capital -"waha" means "oasis" in Arabic- and added three new business lines: Maritime, Land Development and Financial Services.

The company continues to evolve. In 2011, Waha Capital created a single "Principal Investments" division, grouping the company's maritime, aviation and financial sector investments together, with a view to optimize the management of its assets and deliver maximum returns.

Strong Relationships

Waha Capital's distinguished board members, including H.E. Hussain Al Nowais, the company's Chairman, and its management team draw upon broad regional and international experience with leading blue-chip

corporations and financial institutions. The company also enjoys a close relationship with some of Abu Dhabi's leading investment and financial institutions, including its largest shareholder, Mubadala Development Company, and operates at the centre of a strong business network in the United Arab Emirates and the wider Middle East region.

The company's board of directors and management are committed to the adoption of global best practices in corporate governance, transparency and disclosure – as set out in a corporate governance report published annually.

Beneficial Partnerships

Waha Capital is focused on building close relationships and exploring co-investment opportunities with regional and international partners. A long relationship with AerCap Holdings N.V. culminated in late 2010 in a transaction that saw Waha Capital take a 20 percent stake in the New York-listed aircraft leasing company. Waha Capital's stake in AerCap increased to 26.3 percent by the end of 2012. Waha Capital has also invested alongside private equity firm Abraaj Capital in the Stanford Marine Group (SMG), and entered a joint venture to establish consumer finance firm Dunia Finance in 2008, with Mubadala Development Company and Singapore's Fullerton Financial Holdings.

Financial Prudence

Financial prudence lies at the core of Waha Capital's strategy. While the company is ensuring that an appropriate funding mix is available to push ahead with its growth strategy, it has also reduced its gearing level significantly since early 2010 to reach 40 percent as of the end of 2012. A three-year credit facility arranged in mid-2011 with 11 regional and international banks, and a mandatory convertible notes programme already agreed by shareholders, can be tapped into in order to take advantage of opportunities as they arise.

Business Model and Strategy

Structured to Maximise Returns

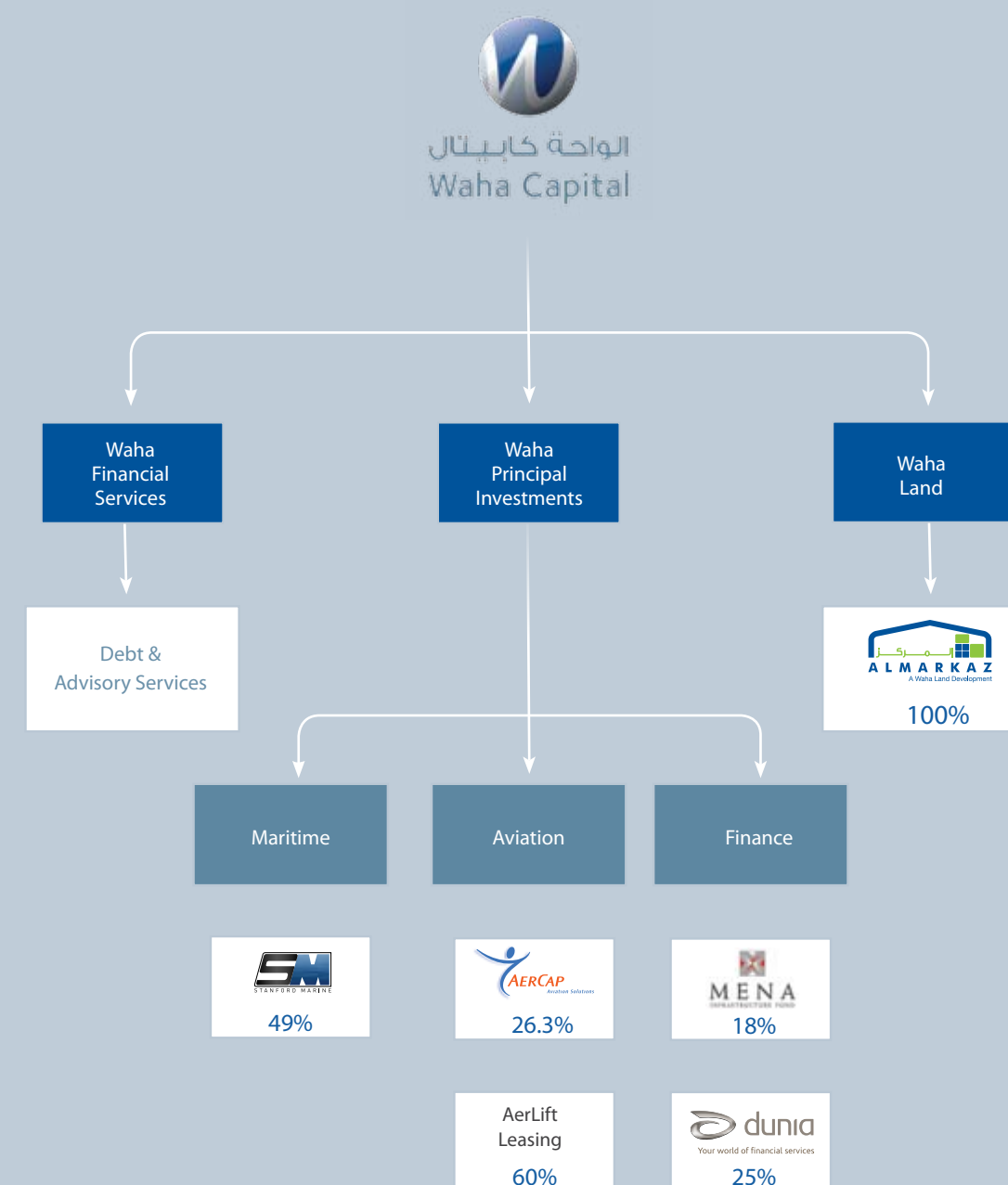
Waha Capital's primary aim is to increase its return to its shareholders through expanding the investments it holds as well as the range of sectors in which it has a high level of expertise. Its diversified asset mix coupled with the high quality of its investment professionals form the bedrock of the company's business model.

Waha Principal Investments is the business unit that manages Waha Capital's maritime, aviation and financial sector investments; this unit sits alongside other business divisions, such as the advisory and real estate businesses. Under this structure, the company is able to optimise the management of its portfolio assets, and deliver maximum returns to its shareholders.

Our current business model, which we adopted in 2011, has enabled us to continue to evolve into an "arm's length" model of investment management, allowing highly skilled management teams to take responsibility for the day-to-day operations of our company's portfolio businesses, while Waha Capital provides support and guidance on top-line strategy. The results achieved since the new structure was put in place have clearly justified the transition from the earlier operational model.

Going forward, Waha Capital will look to acquire majority stakes in companies, alongside co-investment partners, in order to exercise greater control over its portfolio investments. The company will consider divesting assets where appropriate with an aim to return maximum value to our shareholders; we will also look to enter new areas of investment where we see strong potential for capital and revenue growth, such as in the healthcare, educational and logistics sectors. Waha Capital will also endeavour to continue building upon the fee generating capabilities of its advisory business.

We believe that balancing the various revenue drivers of the company will allow us to navigate the economic cycles that lie ahead even more successfully than we have done previously.



Waha Capital Milestones

Continuous and rapid progress into a global player



Acquired a 49% stake in SMG (Previously GMMOS)



Co-founded & acquired a 25% Stake in Dunia Finance



Acquired a 50% stake in AerVenture



Completed \$1.2bn capital raising mandate



Launched Waha Offshore Marine Services (WOMS)



Acquired a 20% stake in AerCap in exchange for AerVenture stake and 40% of Waha Leasing portfolio



Commenced construction on ALMARKAZ development project



Arranged a US\$ 505 million term and revolving credit facility with 11 regional and international banks



Completed \$1.9bn capital raising mandate



Increased stake in AerCap from 21.3 percent to 26.3 percent



Completed first phase of ALMARKAZ light industrial real estate development

2008

2009

2010

2011

2012



Diversification is at the Core of Our Strategy

Finance



Aviation



Maritime



Real Estate



Waha Capital Investments

Finance

Waha Financial Services

Waha Financial Services, a division of Waha Capital, provides advisory services, including specialized structured finance and risk management solutions to clients in the UAE and the wider MENA region. Waha Financial Services has been successful in advising and arranging financing for several high profile clients in Abu Dhabi.

Dunia Finance

Dunia is a finance company created in 2008 out of a strategic partnership between Waha Capital, Mubadala Development Company, Al Moosa Enterprises and Fullerton Financial Holdings – a subsidiary of Singapore's Temasek Holdings. The company provides financing to the under-served mass market of salaried and self-employed customers in the UAE.

MENA Infrastructure Fund

Waha Capital, Fajr Capital and HSBC Bank Middle East Limited are general partners and co-sponsors of the \$300 million Middle East and North Africa Infrastructure Fund, which primarily seeks early-stage investment opportunities in companies that build, own and operate infrastructure assets in the region.

Maritime

Stanford Marine Group

Stanford Marine Group (SMG) is one of the leading operators of offshore supply vessels (OSVs) in the region. Headquartered in Dubai, the company caters primarily to the offshore oil and gas marine sector in the Middle East, Southeast Asia and Africa. In addition to OSV chartering, SMG has shipbuilding and crane hire operations. Since

Waha Capital's investment at the end of 2007, the company has increased its OSV fleet, diversified into platform support vessels and broadened its geographic scope. In early 2013, Waha Capital consolidated its marine assets when Stanford Marine Group acquired Waha Offshore Marine Services, an owner and operator of offshore support vessels that had been wholly owned by Waha Capital.

Aviation

AerCap

AerCap is the world's leading independent aircraft leasing company and has one of the youngest fleets in the industry. The company manages over \$10bn in assets and owns or manages a fleet of 333 aircraft, with a focus on modern and fuel-efficient narrow-body and wide-body aircraft. AerCap is listed on the New York Stock Exchange and headquartered in the Netherlands. The company has offices in Ireland, the United States, China, Singapore, the United Kingdom and the United Arab Emirates.

AerLift Leasing

AerLift Leasing is a joint-venture alongside AerCap which owns and operates a portfolio of commercial aircraft operating across four continents. Clients include Qatar Airways, Air Canada, Malaysia Airlines and Aeroflot, amongst others.

Real Estate

Waha Land

Waha Land is the real estate development arm and a wholly-owned subsidiary of Waha Capital. Its mission is to develop high quality real estate in niche sectors, such as light industry, logistics and low-income housing, to capitalize on and contribute to the exceptional prospects offered by Abu Dhabi's dynamic economy.

The company's land bank includes a 6 sq km grant from the Government of Abu Dhabi, where the AL-MARKAZ project is being developed. The initial phase of the project comprises 90,000 m² of multi-purpose space aimed at providing businesses with flexible and affordable state-of-the-art warehousing, storage, and other light industrial facilities.

The ALMARKAZ project responds to the Emirate's growing demand for high quality industrial real estate in a market that is being transformed by new infrastructure, which include the development of the airport, a railway network, road system and a new port, linking Abu Dhabi to trading partners in the Arabian Gulf and beyond.

Select Portfolio Highlights in 2012



SPECIAL FOCUS

AerCap manages \$10 Billion in assets

New York Stock Exchange-listed AerCap continues to deliver on its strategy of rejuvenating its fleet while looking for growth opportunities in developing aviation markets, such as China and Southeast Asia.

In 2012, the Company reported a net income of \$163.7 million, which translates into earnings per share of \$1.24 compared with \$1.17 for the year 2011.

AerCap made significant improvements to its fleet, and signed \$1.5 billion of new financing. The company continued with its proactive portfolio management strategy, disposing of over \$1.4 billion of predominantly older aircraft and acquiring over \$1.1 billion of new aircraft on long term leases. During the year, AerCap purchased 20 new aircraft, delivered 35 aircraft under lease, signed lease agreements for 47 aircraft, and sold 70 older aircraft. This activity reduced the average age of its aircraft to 5.1 years from 5.8 years at the end of 2011.

AerCap now oversees a portfolio of 333 aircraft, either owned or managed, and total assets of \$10 billion. With a yearend liquidity exceeding \$800 million, the company is well positioned for further growth in the year 2013.

In 2012, AerCap continued with a share buy-back initiative which began the previous year. Waha Capital chose not to participate in the 2012 programme, resulting in an increase in the company's stake in AerCap to 26.3 percent, from 21.3 percent at the end of 2011.

100 customers
in 50 countries



Select Portfolio Highlights in 2012



SPECIAL FOCUS

Dunia Finance rapidly expands its customer base

Dunia Finance, which was co-founded by Waha Capital and in which Waha Capital has a 25 percent stake, continues its strong growth trajectory in the UAE consumer finance arena.

The company recorded a net income increasing four-fold in 2012, with revenues rising 37.4 percent to AED 267 million. The customer base grew by 28 percent to 113,600, helping to raise the value of loans by a third in 2012.

Dunia's robust business model is based on customer-centric segmentation. As such, the company has carefully identified the varying financial needs of its customers and designed appropriate solutions. The product offering currently includes personal, auto and credit card loans as well as payroll solutions and labour guarantee deposits for corporate clients.

In 2012, the company also established Dunia Services, a company that provides business outsourcing services to financial and other institutions. The company currently operates 19 service centers across the country. Going forward, Dunia looks to further-strengthen its balance sheet, fund portfolio growth, and increase its product range.

113,600 customers
across the UAE

Select Portfolio Highlights in 2012



SPECIAL FOCUS

Stanford Marine Group achieves outstanding results

Stanford Marine Group (SMG), an oil and gas services firm in which Waha Capital has a 49 percent stake, is strengthening its operations and expanding into new markets for oil and gas services, particularly in East Africa.

SMG witnessed an improvement in business activity in 2012, as the offshore oil and gas services industry continued to recover from a 2009-2010 low. The company is benefitting from a robust market in the Middle East, where the economics of exploration and production show that national oil companies tend to be driven by long-term business objectives rather than short-term cost cutting as seen in some other markets.

The company recorded a utilization rate of 92 percent and successfully renewed charters for 11 vessels. The company also took delivery of two new vessels, both of which are now currently under charter. SMG now has 42 vessels in operation; the company also extended its reach into East Africa, successfully tendering for a new contract in Tanzania.

Meanwhile, Grandweld, the company's shipbuilding arm, has established a new ship repair division in Fujairah and obtained a new contract to design, build and deliver two crew boats for Fujairah National Group. SMG also inaugurated a new state-of-the-art shipbuilding facility in Dubai Maritime City, which should allow for significant additional capacity.

42 vessels in operation

92% fleet utilisation

Corporate Governance

Commitment to Strong Corporate Governance

Waha Capital's commitment to a robust corporate governance framework is essential for its long-term prosperity. It lies at the centre of its mission to create value for its shareholders and provide them and the wider market with confidence that company affairs are being managed in a fair, responsible and transparent manner.

Accordingly, Waha Capital's comprehensive corporate governance framework is modeled on international best practice and complies with the requirements of the Emirates Securities & Commodities Authority (ESCA) and the Abu Dhabi Securities Exchange (ADX).

This framework addresses the following key topics:

- Responsibilities of the Board and individual Directors;
- Terms of reference for each of the company's three Board Committees;
- Appropriate delegation of authority to Management;
- The Company's relationship with its shareholders;
- Internal controls, risk management and compliance functions;
- Rules relating to the appointment of external auditors;
- The Company's Code of Conduct; and
- Share dealing policy applicable to Directors and employees.

Board of Directors

The Board is responsible for creating and delivering sustainable value to the company's shareholders, through the proper management of the company's businesses. Although day-to-day management of these businesses is delegated to the company's management, the Board provides strategic direction, management supervision and adequate controls with the ultimate objective of promoting the success and long-term value of the company. The Board, comprising seven Directors, six of whom are non-executive and independent, retains responsibility for the overall performance of the company, and ensures that Management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

Board Committees

The Board has established three committees to support its work, namely, the Executive Committee, the Audit Committee, and the Nomination & Remuneration Committee. Each committee has terms of reference which set out its responsibilities, structure and composition, and operational and reporting frameworks. These terms of reference were revised in 2011 to comply with the requirements of ESCA Ministerial Resolution (518) of 2009 (Corporate Governance Code).

Internal Control, Risk Management and Compliance

The company has established an Internal Control Department which is responsible for the internal controls, risk management and compliance functions. The purpose of this department is to ensure that the company is able to achieve its business objectives in a prudent manner, safeguarding the interests of the company's shareholders and other stakeholders, while minimizing key risks such as fraud, unauthorised business activity, misleading financial statements, uninformed risk-taking, or breach of legal or contractual obligations. This Department is headed by a Head of Internal Control and Risk Management, who also serves as the company's Compliance Officer.

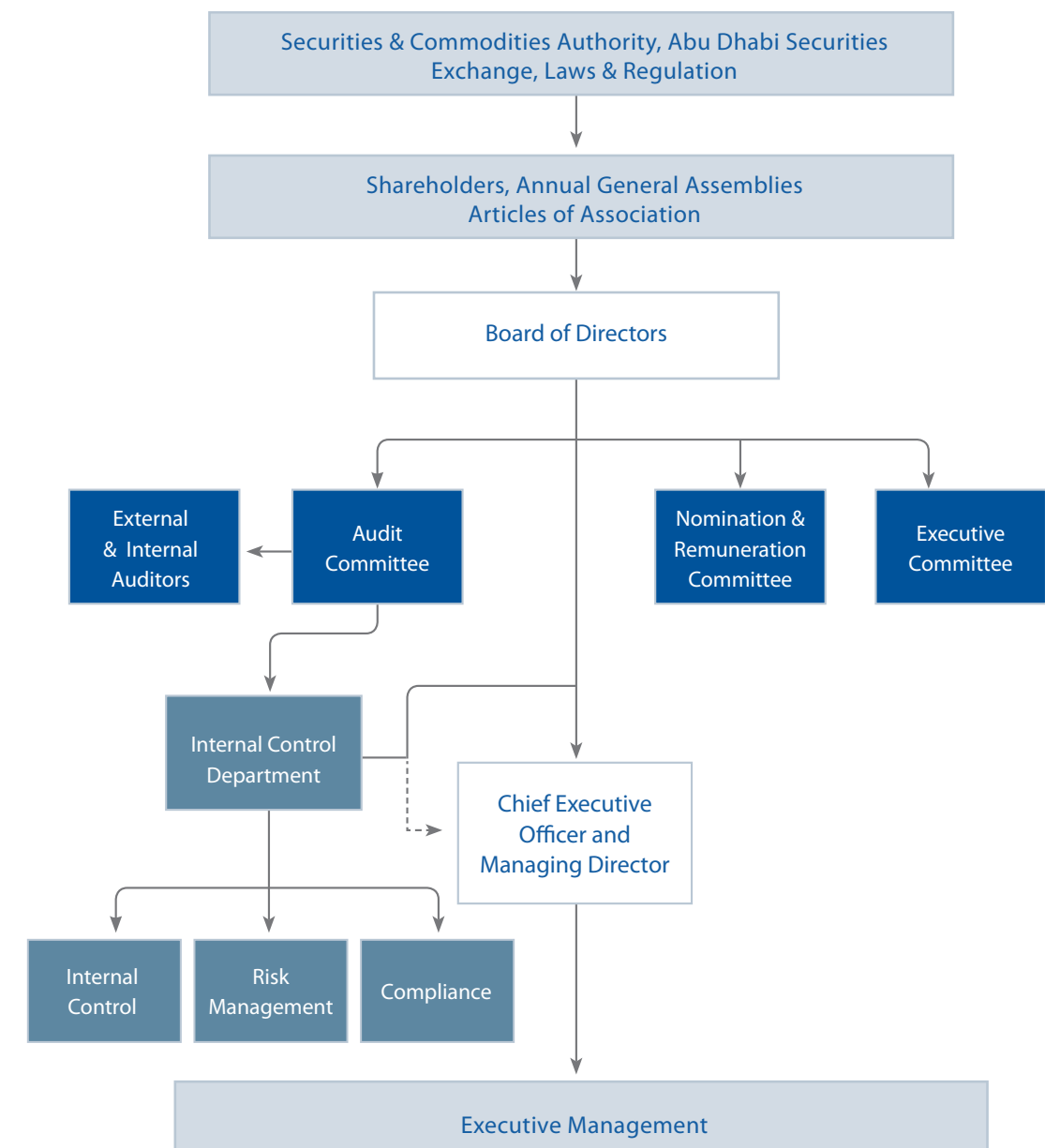
External and Internal Auditors

Waha Capital's external auditor is Deloitte, which was appointed at the company's 2012 Annual General Assembly. The external auditor did not provide any non-audit services in 2012. The company's internal auditor is PricewaterhouseCoopers, whose role is to support Waha Capital's internal control, risk management and compliance functions, through regular internal audits and risk assessments.

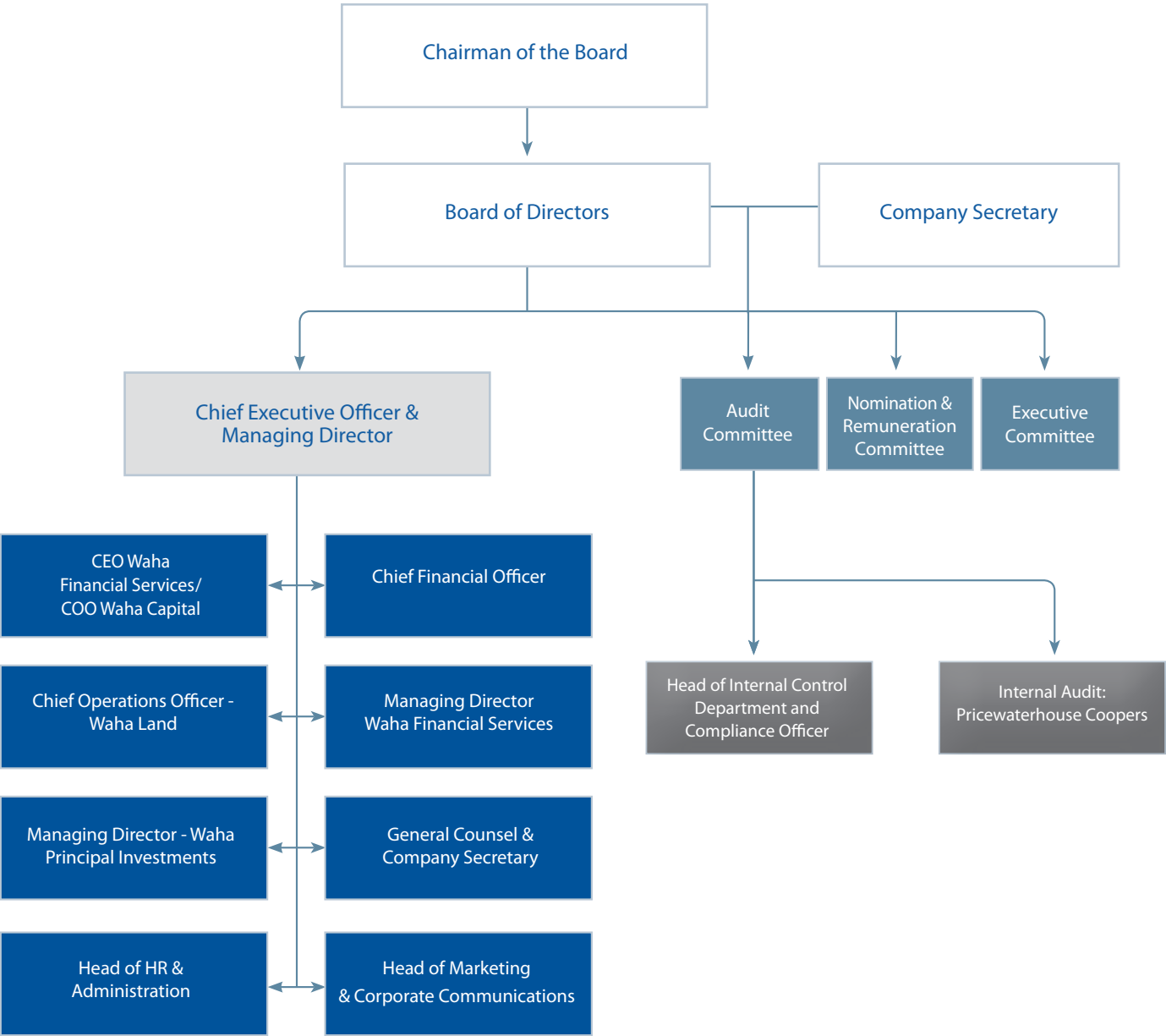
Corporate Governance Report

Further information on the company's corporate governance framework and practices is set out in the company's Corporate Governance Report for 2012, which is available on the company's website (www.wahacapital.ae).

Overview of Corporate Governance Structure



Organizational Structure



Executive Management Team



- | | | |
|---|--|---|
| 1. Salem Al Noaimi
CEO & MD - Waha Capital | 2. Michael Raynes
CEO Waha Financial Services
COO Waha Capital | 3. Sana Khater
CFO Waha Capital |
| 4. Hazem Al Nowais
COO Waha Land | 5. Abdellah Sbai
MD - Waha Financial Services | 6. Hani Ramadan
MD - Waha Principal Investments |
| 7. Ergham Albachir
Head of HR & Administration | 8. Safwan Said
General Counsel and
Company Secretary | 9. Dana Chehayeb
Head of Marketing &
Corporate Communications |

Home Market – Abu Dhabi



Abu Dhabi is one of the seven emirates that form the United Arab Emirates, and is the home of the Federal Government and the country's capital.

Endowed with rich natural resources, the UAE's economy is underpinned by oil exports although a growing diversification in the country's economy has been evident in recent years. The country has about 8 percent, or 98 billion barrels, of the world's proven oil reserves and hosts the fifth largest natural gas reserves in the world.

While Waha Capital manages assets globally, the company is deeply rooted in Abu Dhabi's economy. The company is aligned with the Government's "Abu Dhabi Economic Vision 2030" strategy for economic diversification, investing in key areas of growth and encouraging private sector development. The Emirate's vision puts a great focus on building knowledge-based industries, such as petrochemicals, aerospace, and pharmaceuticals, as well as developing social infrastructure, particularly education and healthcare.

By 2030, the Government envisages 64 percent of Abu Dhabi's GDP will come from non-oil sources, versus around 32 percent currently.

Around \$400 billion worth of projects have either been announced or are under development in the Emirate in various areas, such as oil and gas, manufacturing, real estate and infrastructure. They include development of Saadiyat Island to place Abu Dhabi firmly on the map for high-end tourism, bringing in two of the world's most recognised cultural institutions, the Louvre and the Guggenheim.

The Abu Dhabi Economic Vision 2030 establishes a common framework for aligning all policies and plans that contribute to the on-going development of the Emirate's economy. It seeks to create opportunities for the local and international private sector in the Emirate of Abu Dhabi, and new employment opportunities for UAE nationals, particularly in highly skilled, export-oriented sectors.

Healthy Economic Outlook

The UAE has recovered well since being shaken by the aftershock of the 2008-2009 global economic crisis, with GDP growth estimated at 4.0 percent in 2012, accelerating from 2.6 percent in 2011, according to the IMF.

The rebound has been driven by growing tourism, logistics and trade revenues, as well as strong public spending. Robust global oil prices – due to demand from emerging markets offsetting stagnant demand for hydrocarbons from advanced economies – has given ample leeway for prudent fiscal stimulus in areas such as infrastructure development.

The real estate sector, which was hit hard by the crisis, is showing signs of recovery, while the banking system has held steady during the downturn. Lenders have taken prudent provisioning measures, putting them in a strong capital position relative to their international peers. As a result, loan growth is expected to accelerate in 2013.

The IMF forecasts that the UAE's economy will grow at a compound annual growth rate of 4 percent in the five years leading up to 2016.

Waha Capital PJSC
Financial Statements
31 December 2012



AL WAHA CAPITAL PJSC

Company Information

Board of Directors

Chairman	H.E. Hussain Jasim Al Nowais
Vice Chairman	Mr. Abubaker Seddiq Al Khoori H.E. Saif Mohamed Al Hajeri (resigned on 15 April 2012)
Directors	Mr. Ahmed Bin Ali Al Dhaheri (appointed on 15 April 2012) Mr. Carlos Obeid Mr. Fahad Saeed Al Raqbani Mr. Mansour Mohamed Al Mulla Mr. Salem Rashid Al Noaimi (appointed on 15 April 2012) Mr. Khaled Al Mass (resigned on 15 April 2012)

CEO and Managing Director Mr. Salem Rashid Al Noaimi

Head Office P O Box 28922
Etihad Towers
42nd Floor, Tower 3
Abu Dhabi
UAE

Auditors Deloitte & Touche (M.E.)
P O Box 990
11th Floor, Al Sila Tower
Al Sowwah Square
Abu Dhabi
UAE

AL WAHA CAPITAL PJSC

Board of Directors’ Report

Dear Shareholders,

On behalf of the Board of Directors, it is my honour to present to you the 2012 financial results of Waha Capital, which extend our record of consistent profitability to a 10th year, demonstrating the underlying potential of our new strategy as we look forward to the future.

Despite the continuing uncertain global market conditions, the company recorded a net income of AED 214 million, compared to AED 155 million in 2011, driven in particular by income generated from our investments in AerCap Holdings N.V. and Dunia Finance. Our return on equity increased to 9.4 percent from 7.1 percent in 2011, demonstrating our growing capabilities in the management of our investment portfolio.

Over the past year, we have implemented a number of fundamental changes to our structure and to our business strategy. We see 2013 as a year of opportunity for expansion into new sectors; we also view a gradually improving trading environment as a beneficial platform from which to further build our business.

The past year has shown that the economic damage caused by the global financial crisis will take considerably longer to remedy than expected in many of the world's established economies. However, we are also witnessing resilience and growth in emerging markets, especially in the Gulf region, and believe that Waha Capital is well placed to reap further rewards from its existing and potential new business interests. We are fortunate to be headquartered in a country that has both the economic wealth and the vision to invest in ways which provide companies such as Waha Capital with a robust and rewarding domestic market.

Our new emphasis on managing our portfolio investments provides us with a greater level of control over such assets, we are confident that the company is now positioned even better to deliver positive results to its shareholders. While ambitious about growing our business, we remain committed to our prudent approach to financial management and our commitment to best practice and good corporate governance.

To maximise our returns to shareholders we have sought to improve the quality of the assets in which we are vested, as well as examined new areas which we believe offer attractive returns and prospects of sustainable future growth.

Despite the uncertain economic environment globally, it was particularly reassuring that both our principal investments and our financial services businesses continued to perform strongly in 2012.

Aircraft Leasing

In 2012, Waha Capital’s shareholding in Aercap increased to 26.3 percent from 21.3 percent by not participating in their share buy-back programme. Aercap signed US\$1.5 billion of new financing and made significant improvements to its fleet in 2012. The company purchased 20 new aircraft, delivered 35 aircraft under lease and signed lease agreements for 47 aircraft. The company also sold 70 aircraft, reducing the average age of its aircraft to 5.1 years from 5.8 years. AerCap now oversees a portfolio of 333 aircraft, either owned or managed, and has total assets of US\$10 billion.

Offshore Oil and Gas Services

Stanford Marine Group (SMG), an oil and gas services firm in which Waha Capital has a 49 percent stake, recorded a utilization rate of 92 percent in 2012 and successfully renewed charters for 11 vessels. The company also took delivery of two new vessels, both of which are now currently under charter. SMG extended its reach into East Africa, successfully tendering for a new contract in Tanzania. Meanwhile, Grandweld, the company’s shipbuilding arm, has established a new ship repair division in Fujairah and obtained a new contract to design, build and deliver two crew boats for Fujairah National Group. SMG also inaugurated a new state-of-the-art shipbuilding facility in Dubai Maritime City, which should allow for significant additional capacity.

Waha Land

Waha Land, a wholly owned subsidiary of Waha Capital, completed the first phase of its light industrial and warehousing development ALMARKAZ in 2012. The project is experiencing strong leasing interest in all its offerings, including serviced land plots, single units ranging from 250 sq m to 12,000 sq m, as well as potential for build-to-suit and turn-key options. A number of leasing contracts are expected to be finalised in the first half of 2013.

Dunia Finance

Dunia Finance, in which Waha Capital has a 25 percent stake, continued its growth with net income increasing four-fold in 2012. Revenues rose 37.4 percent to AED 267 million, as the customer base grew by 28 percent to 113,600 clients and loans increased by a third in 2012. In 2012, the company also established Dunia Services, providing business outsourcing services to financial and other institutions.

Financial Services

Waha Financial Services continues to produce a healthy stream of fee income from arranging asset financing transactions under a range of mandates. The unit has continued to develop its capabilities and capacity in this area of the business.

I would like to take this opportunity to thank Abu Dhabi’s leadership, represented by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces, and Chairman of the Abu Dhabi Executive Council for their continuous support to all national companies.

I would also like to express my gratitude to all our shareholders, our partners, clients in the public and private sectors as well as the Board members, management team and staff at Waha Capital for their continued trust in us, and ongoing commitment, which has greatly contributed to the group’s success.

Hussain J. Al Nowais
Chairman of the Board, Waha Capital PJSC

AL WAHA CAPITAL PJSC

CEO & Managing Director’s Report

Dear Shareholders,

By delivering a solid net income for the company, Waha Capital’s investment portfolio showed impressive resilience in 2012. It is evident that our strategy -- based on diversification and building scale in areas of specific expertise – continues to pay off in a challenging period for the global economy.

The increase in profits was due to strong performances from our investee companies, including New York-listed AerCap and UAE-based Dunia Finance. AerCap was one of the main drivers of the company’s earnings in 2012, as Waha Capital’s stake in the aircraft leasing firm rose to 26.3 percent from 21.3 percent as a result of a decision not to participate in AerCap’s share buy-back programme.

Following a period of deleveraging of our balance sheet, the management team is comfortable with the current gearing level of 40 percent. As we look to develop our business and make new investments, the company will continue to benefit from the credit facility negotiated with 11 regional and international banks in 2011, and also has the option to activate a mandatory convertible note programme already approved by shareholders.

Management discussion and analysis

- The group recorded profit attributable to owners of AED 214 million in 2012, an increase of 38 percent from AED 155 million in 2011.
- Total income from continuing operations including operating income and share of profits from equity accounted investees was AED 464 million in 2012, up 20 percent from 2011.
- Operating activities generated a cash flow of AED 148 million in 2012, compared to AED 213 million in 2011.
- The group’s gearing stood at 40 percent as of 31 December 2012, up slightly from 38 percent a year earlier.
- Earnings per share were AED 0.11 in 2012, an increase of 38 percent compared to 2011.

Summary of Operating Statistics:

(Amounts in AED thousands unless otherwise stated)

	2011	2012	Year on year growth
Total income ¹	386,501	464,212	20%
Profit for the year attributable to owners	155,313	214,441	38%
Total assets	4,202,862	4,435,104	6%
Gearing ²	38%	40%	
Return on equity ³	7.10%	9.40%	
Cash flows from operating activities	212,691	147,822	(30%)
Earnings per share (AED)	0.08	0.11	38%

1. Total income includes operating income and share of profit from equity-accounted investees from continuing operations.
2. Gearing is calculated as the ratio of net debt to the sum of net debt and equity.
3. Return on equity is calculated as the ratio of profit for the year to the average of opening and closing equity.

Waha Capital has a highly proficient investment team in place and a strong pipeline of potential investments, where we believe we can add value and achieve attractive returns. Operationally, we will maintain a prudent approach to financial management and continue to focus on increasing our efficiency in the way we manage our assets. We will also look to further develop our relationships with key stakeholders in Abu Dhabi, the region, and with partners in the wider investment community.

On behalf of Waha Capital's management team, I would like to thank our Board of Directors and our employees for their dedication to building a successful international business. I would also like to thank our partners in the public and private sector and all our shareholders for their continuous support.



Salem Rashid Al Noaimi
CEO and MD, Waha Capital PJSC

AL WAHA CAPITAL PJSC

Independent Auditors' Report

The Shareholders
Al Waha Capital PJSC
Abu Dhabi
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Waha Capital PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The Group's consolidated financial statements as at 31 December 2011 were audited by another auditor whose report dated 21 March 2012 expressed unqualified audit opinion.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Company, and the financial information included in the Board of Directors' report is in agreement with the books of account. 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 (M.E.)



Mutasem M. Dajani
Registration No. 726
Abu Dhabi
11 March 2013

AL WAHA CAPITAL PJSC

Consolidated statement of financial position

(All amounts in thousands of AED, unless otherwise stated)

	Note	As at 31 December 2012	As at 31 December 2011
Assets			
Furniture and equipment		4,104	4,981
Investment property	8	775,743	551,942
Vessels	9	-	86,406
Investments in finance leases	10	33,765	37,959
Loan investments	11	305,772	363,548
Investments in equity-accounted investees	12	2,255,370	2,345,062
Investments available-for-sale	13	108,883	100,524
Assets classified as held for sale	14	295,207	-
Inventories	15	7,464	22,481
Financial assets at fair value through profit or loss	16	190,621	194,475
Cash encumbered	17	60,304	17,952
Trade and other receivables	18	178,236	193,503
Cash and cash equivalents	19	219,635	284,029
Total assets		4,435,104	4,202,862
EQUITY AND LIABILITIES			
Equity			
Share capital	20	1,897,088	1,897,088
Statutory reserve	21	126,494	105,050
Revaluation reserve		(5,893)	(663)
Hedge reserve		(3,828)	-
Other reserves		(7,197)	1,061
Retained earnings		323,036	229,393
Equity attributable to the owners of the Company		2,329,700	2,231,929
Non-controlling interests		13,899	-
Total equity		2,343,599	2,231,929
Liabilities			
Borrowings	22	1,786,502	1,623,562
Trade and other payables	23	305,003	347,371
Total liabilities		2,091,505	1,970,933
Total equity and liabilities		4,435,104	4,202,862

The notes numbered 1 to 35 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 42 and 43.

These consolidated financial statements were authorised for issue by the board of directors on 11 March 2013 and signed on their behalf by:



Chairman



CEO & Managing Director

AL WAHA CAPITAL PJSC

Consolidated income statement

For the year ended 31 December
(All amounts in thousands of AED, unless otherwise stated)

	Note	2012	2011
Continuing Operations			
Operating income	24	260,136	267,357
Share of profit from equity-accounted investees		204,076	119,144
Operating costs	25	(99,259)	(100,129)
Administrative and other expenses	26	(130,587)	(117,232)
Operating profit		234,366	169,140
Other income/(loss)	27	5,037	(1,496)
Profit for the year from continuing operations		239,403	167,644
Discontinued Operations			
Loss for the year from discontinued operations	14	(26,729)	(12,331)
Profit for the year		212,674	155,313
Profit attributable to:			
Owners of the Company		214,441	155,313
Non-controlling interest		(1,767)	-
Profit for the year		212,674	155,313
Basic and diluted earnings per share (AED)			
- from continuing and discontinued operations		0.113	0.082
- from continuing operations		0.127	0.088

The notes numbered 1 to 35 are an integral part of these consolidated financial statements.
The independent auditors’ report on the consolidated financial statements is set out on pages 42 and 43.

Consolidated statement of comprehensive income

For the year ended 31 December
(All amounts in thousands of AED, unless otherwise stated)

	2012	2011
Profit for the year	212,674	155,313
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	(5,230)	(3,020)
Share of effective portion of changes in fair value of cash flow hedges of equity accounted investees	(3,828)	(3,027)
Share of change in other reserves of equity-accounted investees	(8,258)	2,327
Directors’ fees	(4,500)	(9,000)
Total comprehensive income for the year	190,858	142,593
Total comprehensive income attributable to:		
Owners of the Company	192,625	155,313
Non-controlling interest	(1,767)	-
Total comprehensive income for the year	190,858	155,313

The notes numbered 1 to 35 are an integral part of these consolidated financial statements.
The independent auditors’ report on the consolidated financial statements is set out on pages 42 and 43.

AL WAHA CAPITAL PJSC

Consolidated statement of changes in equity

For the year ended 31 December 2012

(All amounts in thousands of AED, unless otherwise stated)

	Note	Share capital	Statutory reserve	Revaluation reserve	Hedge reserve	Other reserves	Retained earnings	Equity attributable to owners	Non-controlling interest	Total equity
At 1 January 2011		1,732,500	89,519	(29)	3,027	1,120	315,174	2,141,311	-	2,141,311
Profit for the year		-	-	-	-	-	155,313	155,313	-	155,313
Other comprehensive income		-	-	(634)	(3,027)	(59)	(9,000)	(12,720)	-	(12,720)
Total comprehensive income		-	-	(634)	(3,027)	(59)	146,313	142,593	-	142,593
Transactions with the owners of the Company, recognized directly in equity										
Bonus shares issued	30	164,588	-	-	-	-	(164,588)	-	-	-
Dividend	30	-	-	-	-	-	(51,975)	(51,975)	-	(51,975)
Transfer to statutory reserve	21	-	15,531	-	-	-	(15,531)	-	-	-
At 31 December 2011		1,897,088	105,050	(663)	-	1,061	229,393	2,231,929	-	2,231,929
At 1 January 2012		1,897,088	105,050	(663)	-	1,061	229,393	2,231,929	-	2,231,929
Profit for the year		-	-	-	-	-	214,441	214,441	(1,767)	212,674
Other comprehensive income		-	-	(5,230)	(3,828)	(8,258)	(4,500)	(21,816)	-	(21,816)
Total comprehensive income		-	-	(5,230)	(3,828)	(8,258)	209,941	192,625	(1,767)	190,858
Transactions with the owners of the Company, recognized directly in equity										
Dividend	30	-	-	-	-	-	(94,854)	(94,854)	-	(94,854)
Transfer to statutory reserve	21	-	21,444	-	-	-	(21,444)	-	-	-
Non-controlling interest arising on acquisition of controlling interest in a subsidiary	6	-	-	-	-	-	-	-	15,666	15,666
At 31 December 2012		1,897,088	126,494	(5,893)	(3,828)	(7,197)	323,036	2,329,700	13,899	2,343,599

The notes numbered 1 to 35 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 42 and 43.

Consolidated statement of cash flows

For the year ended 31 December

(All amounts in thousands of AED, unless otherwise stated)

	2012	2011
Profit for the year	212,674	155,313
Adjustments for:		
Depreciation	9,245	8,507
Interest on borrowings	77,715	75,959
Gain on derivatives	(1,566)	(2,067)
(Gain) / loss on valuation of other financial assets at fair value through profit or loss	(3,375)	1,552
Interest on bank deposits	(1,770)	(184)
Interest income from loan investments	(12,876)	(22,041)
Interest income from investments in finance leases	(3,563)	(3,720)
Share of profit from equity-accounted investees	(204,076)	(119,144)
Share of loss from equity-accounted investee classified as held for sale	9,872	5,627
Loss on disposal of furniture and equipment	-	200
Gain on acquisition of a subsidiary	(476)	-
Impairment of loan investments	15,978	7,989
Impairment of vessels classified as held for sale	9,676	-
Impairment of slow moving and obsolete inventories	11,402	-
Impairment of other assets	2,867	-
Directors' fees	(4,500)	(9,000)
Payments received from loan investments	31,892	75,297
Payments received from investment in finance leases	7,757	7,757
Distribution from equity-accounted investees	15,010	5,805
Changes in working capital:		
Change in inventories	3,615	44,826
Change in cash encumbered due to operations	(35,000)	-
Change in trade and other receivables	(412)	(3,210)
Change in trade and other payables	7,733	(16,775)
Net cash generated from operating activities	147,822	212,691

AL WAHA CAPITAL PJSC

Consolidated statement of cash flows (continued)

For the year ended 31 December
(All amounts in thousands of AED, unless otherwise stated)

	2012	2011
Cash flows from investing activities		
Consideration for acquisition of a subsidiary (net of cash)	46,260	-
Investment in equity accounted investees	(75)	(37,774)
Dry docking costs on vessels	(1,714)	(1,895)
Advance payment on acquisition of an investment	-	(6,500)
Net movement in financial assets at fair value through profit or loss	7,229	4,836
Acquisition of investments available-for-sale	(13,589)	(33,070)
Payments made for development of investment property	(264,668)	(172,604)
Acquisition of furniture and equipment	(2,108)	(622)
Proceeds from sale of furniture and equipment	-	558
Interest received	1,770	100
Net cash used in investing activities	(226,895)	(246,971)
Cash flows from financing activities		
Loan origination costs paid	(220)	(39,314)
Dividend paid	(94,854)	(51,975)
Interest paid on borrowings	(54,931)	(59,106)
Loans obtained	183,900	1,323,344
Loans repaid	(11,864)	(1,119,912)
Change in cash encumbered due to financing	(7,352)	(3,382)
Net cash from financing activities	14,679	49,655
Net decrease in cash and cash equivalents	(64,394)	15,375
Cash and cash equivalents at 1 January	284,029	268,654
Cash and cash equivalents at 31 December	219,635	284,029

The notes numbered 1 to 35 are an integral part of these consolidated financial statements.
The independent auditors' report on the consolidated financial statements is set out on pages 42 and 43.

Notes to the consolidated financial statements

(All amounts in thousands of AED, unless otherwise stated)

1 Reporting entity

Al Waha Capital P.J.S.C. ("the Company") is a public joint stock company with limited liability, formed in the Emirate of Abu Dhabi, United Arab Emirates, by Emiri Decree No. 10 dated 20 May 1997 and incorporated on 12 July 1997.

These consolidated financial statements as at and for the year ended 31 December 2012 comprise the results and financial position of the Company and its subsidiaries (collectively referred to as the Group) and the Group's interest in associates and jointly controlled entities ("equity accounted investees").

The Group invests in the aerospace leasing and maritime sectors and is engaged in real estate development and financial services.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the laws of the UAE.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- financial assets at fair value through profit or loss, which are measured at fair value;
- derivative financial instruments, which are measured at fair value;
- available-for-sale financial assets, which are measured at fair value; and
- investment property, which is measured at fair value.

(c) Functional currency and presentation currency

The functional currency of the Company is the US Dollar (USD). The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of these consolidated financial statements, the results and financial position of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates or assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Information about significant areas of estimates and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the consolidated financial statements are included in the relevant accounting policies. The following are the key estimates and critical judgements made:

(i) Classification of leases

At the inception of a lease, a lease is classified either as a finance lease or as an operating lease. Such classification requires management to make certain judgements. The Group classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership over the lease period to the lessee. Title may or may not, based on the terms and conditions of the lease, eventually be transferred to the lessee. An operating lease is a lease which is not a finance lease.

(ii) Impairment of assets

The Group's accounting policy with respect to impairment of financial assets and non-financial assets describes the estimates and judgements involved in impairment of assets. (Refer to note 3(g)).

(iii) Valuation of investment properties

The key estimates and judgements in estimating the fair value of investment property are described in Note 8.

(iv) Valuation of derivative financial instruments

The key estimates and judgements in estimating the fair value of derivative financial instruments are described in Note 4(iv).

(v) Assets held for sale

Assets classified a held for sale are measured at the lower of asset carrying amount and fair value less costs to sell on the date of classification. (Refer to note 3(o)).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Special purpose entities

The Group establishes special purpose entities (SPEs) for investment purposes. The Group does not have direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of the consolidated income statement.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Investments in associates and jointly controlled entities (equity-accounted investees) (continued)

The financial statements of the associates are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value.

Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective or qualifying cash flow hedges, which are recognised in other comprehensive income.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates prevailing on the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates prevailing on the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loan investments and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loan investments and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise funds invested with counterparties and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Cash-encumbered

Cash encumbered are bank balances that include security deposits, any minimum cash balances held by the Group as required under loan agreements, amounts set aside for prior year dividends and rights issue refund balances.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised or impaired, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise investment in a fund.

(ii) Non-derivative financial liabilities

The Group initially recognises non derivative financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings, finance lease liabilities and trade and other payables.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Share capital
Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented as a separate component in equity.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instrument such as interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is favourable and as financial liabilities when the fair value is unfavourable to the Group.

Any gains or losses arising from changes in fair value on derivatives are recognised directly in the consolidated income statement except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument’s exposure to changes in cash flows in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risk. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedge

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in other comprehensive income and presented in hedging reserve in equity and transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Gain or loss, if any, relating to the ineffective portion is recognised immediately in the consolidated income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in consolidated income statement.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derivative financial instruments, including hedge accounting (continued)
Other derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(d) Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the vessels. Gains and losses on disposal of vessels are determined by comparing the proceeds from disposal with the carrying amount of vessels and are recognised within other operating income in the consolidated income statement.

The economic useful life, from the date of manufacture of the assets, is determined to be 25 years. These assets are depreciated from the date of acquisition on a straight-line basis over their remaining economic useful lives after adjusting the residual value for these assets. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. Depreciation is recognised in the consolidated income statement.

Dry-docking

The vessels are required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, approximately every 60 months depending on the nature of work and industry requirements. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking. The residual value of such components is estimated at nil.

A portion of the cost of acquiring a vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. This cost is depreciated over the period until the next dry-docking.

The useful lives and the residual values are reviewed at each reporting period based on market conditions

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in the consolidated income statement except for external infrastructure, which is measured at cost as management believes that these costs are reimbursable from the relevant authorities.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as owner occupied property or as inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in consolidated income statement and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Investments available-for-sale

At the end of each reporting period an assessment is made of whether there is any objective evidence of impairment in the value of available-for-sale financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(g) Impairment (continued)

(i) Non-derivative financial assets (continued)

Investments available-for-sale (continued)

If the available-for-sale financial asset is impaired, the difference between the financial asset's acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

(h) Employee terminal benefits

The provision for employee terminal benefits, included in trade and other payables, is calculated in accordance with the UAE Federal Labour Law and are recognised as an expense in the consolidated income statement on accrual basis.

Pension contribution for UAE nationals are recognised as an expense in the consolidated income statement on an accrual basis.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(j) Operating income

(i) Transaction services fees

The Group is engaged in arranging debt capital financing on behalf of its clients for the acquisition of big-ticket items, such as vessels and aircraft, as well as for the construction of industrial facilities. The Group earns transaction services fees from arranging, advising on and administering such transactions. Given the nature of the services, which are predominantly event-driven, the fees do not accrue on a time-proportionate basis but are recognized entirely as and when they become due to the Group once the likelihood of occurrence of trigger events has been ascertained.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(j) Operating income (continued)

(ii) Operating leases

Operating Leases are generally for periods less than the economic useful life of the associated asset wherein the risks and rewards of ownership remain with the Group until the asset is sold. Revenue from operating leases represents lease rental income from operating leases recognised on a straight-line basis over the lease term.

(iii) Finance leases

Finance Leases are generally for periods longer than operating leases wherein the Group transfers substantially all the risks and rewards incidental to ownership to the lessee. Title may or may not eventually transfer to the lessee.

Revenue from finance leases represents the amortisation of the unearned finance income over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment.

Unearned Finance Income is the difference between the Gross Investment and the present value of the Gross Investment, specifically:

- a) the aggregate of future Minimum Lease Payments and the Unguaranteed Residual Value of the leased asset at the end of the lease, collectively the Gross Investment; and
- b) the present value of the Gross Investment discounted at a rate, which at inception of the lease, causes the present value of the Gross Investment to be equal to the fair value of the leased asset. This is defined as the Net Investment.

Minimum Lease Payments are the payments that the lessee is required to make over the lease term, including any residual value of the asset guaranteed by the lessee and any purchase option exercisable by the lessee, which is at a level significantly lower than the forecast fair value of the asset at the date at which the option is to be exercised.

Unguaranteed Residual Value is that portion of the residual value of the leased asset, the realisation of which is not assured to the lessor (the Group).

(iv) Charter income

Charter hire is generally for a period less than the economic useful life of the vessels wherein the risks and rewards of ownership remain with the Group until the asset is sold. Charter income is recognised rateably over the charter term.

(v) Interest and dividend income

Interest income on loan investments and short term deposits is recognised as it accrues in the consolidated income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the expected stream of future cash flows to the net carrying amount. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(k) Interest on borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The amortization of project costs which are directly attributable to borrowings is applied in the calculation of effective interest rate.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(l) Earnings per share

The Group presents basic and diluted earnings per share data (EPS) for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(m) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire or construct investment properties and vessels

(n) Government grants

Management believes that, in most cases, when land is initially received through government grants, the probability that future economic benefits will flow to the Group is uncertain, since, until management has established plans to utilise the land, it is possible that such land may revert back to the government. In addition, in the absence of identified use of the land, the amount of future economic benefits cannot be determined with reasonable certainty. Accordingly, land so received is not initially recognised in the consolidated financial statements until certain events occur, which enable management to conclude that it becomes probable that future economic benefits will flow to the Group from its ownership of such land.

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements.

The determination of whether future economic benefits will flow to the Group is made by management using guidelines approved by the Board of Directors; each such determination is also approved by the Board of Directors. Once the determination is made, land is recognised in the financial statements at nominal value.

At the point of such initial recognition, and subsequently, at each reporting date, an assessment is made by management as to the ultimate use of the land, and based on such assessment, the land is transferred to the relevant asset category (such as investment property, property, plant and equipment or inventory) depending on its intended use, and is thereafter accounted for using the accounting policy in place for that relevant asset category.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

3 Significant accounting policies (continued)

(o) Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probably and the non-current asset is available for immediate sale in its current condition. Management must be committed to the sale, which should be expected to qualify as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(p) New standards and interpretations not adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 Employee Benefits (as revised in 2011)	1 January 2013
IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate	1 January 2013
Amendments to IFRS 7 Financial Instruments: Disclosures relating to offsetting financial assets and liabilities	1 January 2013
IFRS 9 Financial Instruments (as amended in 2010)	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Improvements to IFRSs issued in 2011 and 2012 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IAS 32 Financial Instruments: Presentation relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014
Amendment to IFRS 7 Financial Instruments: Disclosures relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that these amendments will be adopted in the consolidated financial statements for the initial period when they become effective. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

The independent valuation company uses recognised valuation methods, which comprise the Residual Value Method and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under comparable leases, existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

(ii) Equity securities

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, the fair value is determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired as a part of acquiring an interest in a business.

(iv) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes or when acquired as a part of acquiring an interest in a business, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

For finance leases the market rate of interest is determined by reference to similar lease agreements.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

5 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The management has established committee comprising of senior management, which is responsible for developing and monitoring the Group’s risk management policies. The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by an internal audit firm. Internal audit firm undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customer, derivative assets, cash and cash equivalents and loan investments.

(i) Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group’s customer base including default risk of the industry and country in which the Group’s customers operate are some of the factors which influence credit risk.

The Group has established various policies and procedures to manage credit exposure, including initial financial assessment and appraisal, collateral and guarantee requirements and continual credit monitoring. The Group establishes an allowance for impairment on a case by case basis that represents its estimate of incurred losses in respect of trade and other receivables.

(ii) Cash and cash equivalents

Cash is placed with commercial banks and financial institutions that have a credit rating acceptable to the Group.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

5 Financial risk management (continued)

Credit risk (continued)

(iii) Loan investments

The Group limits its exposure to credit risk by investing in counterparties whose credit ratings are within the limits prescribed by the Group’s financial risk management guidelines.

(iv) Derivative assets

The Group limits its exposure to credit risk on derivative assets by dealing with financial institutions and commercial banks that have credit rating acceptable to the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

(i) Currency risk

The Group may be exposed to currency risk on payables that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions are primarily denominated is United States Dollars (US Dollars). In respect of the Group’s transactions denominated in US Dollars, the Group is not exposed to the currency risk as the UAE Dirham (AED) is currently pegged to the US Dollar.

(ii) Interest rate risk

In the normal course of business, the Group has entered into fixed interest rate swaps, where appropriate, to hedge against the variable interest rate exposure of their borrowings except where matching lease rentals also vary in line with the changes in interest rates, thereby creating a natural hedge or where the risk of the interest rate exposure is deemed to be immaterial or acceptable in relation to the cost of entering into a hedge. The Group had a net floating rate liability position of AED 1,581,502 (2011: AED 1,432,433). Had the relevant interest rates been higher/lower by 100 basis points, the profit for year would have been lower/higher by AED 15,815 (2011: AED 14,324). For net derivative assets, a 30 basis points increase/decrease in the interest rates at the reporting date would have decreased/increased profit by AED 61 (2011: AED 386).

(iii) Equity price risk

Equity price risk arises from investments in equity securities. Management of the Group monitors the mix of securities in its investment portfolio based on market indices to reduce the exposure on account of share prices (refer to note 16 for sensitivity analysis).

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

5 Financial risk management (continued)

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's gearing ratio at the reporting date is as follows:

	2012	2011
Borrowings	1,786,502	1,623,562
Less: Cash and cash equivalents	(219,635)	(284,029)
Net debt	1,566,867	1,339,533
Total equity attributable to owners of the company	2,329,700	2,231,929
Gearing ratio as at 31 December	40%	38%

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

6 Subsidiaries and investments in equity-accounted investees

(a) Subsidiaries

The financial statements of the following entities (the Subsidiaries) have been consolidated in these consolidated financial statements.

Subsidiary	Country of incorporation	Group's shareholding	
		31 Dec 2012	31 Dec 2011
Waha Leasing PJSC	UAE	100 %	100 %
Al Waha Land LLC	UAE	100 %	100 %
Al Waha Maritime LLC	UAE	100 %	100 %
Al Waha Marine Agency LLC ^{(1) (2)}	UAE	100 %	100 %
Al Waha Financial Investments LLC	UAE	100 %	100 %
Second Waha Lease Limited	Isle of Man	-	100 %
Third Waha Lease Limited	Isle of Man	-	100 %
Fourth Waha Lease Limited	Isle of Man	-	100 %
Fifth Waha Lease Limited	Isle of Man	100 %	100 %
Sixth Waha Lease Limited	Isle of Man	-	100 %
Seventh Waha Lease Limited	Isle of Man	-	100 %
Eighth Waha Lease Limited	Isle of Man	100 %	100 %
Ninth Waha Lease Limited	Isle of Man	100 %	100 %
Tenth Waha Lease Limited	Isle of Man	100 %	100 %
Eleventh Waha Lease Limited	Isle of Man	-	100 %
Twelfth Waha Lease Limited	Isle of Man	100 %	100 %
Fifteenth Waha Lease Limited	Isle of Man	100 %	100 %
Sixteenth Waha Lease Limited	Isle of Man	-	100 %
Oasis International Leasing (USA) Inc.	United States of America	-	100 %
Ovenstone Limited ⁽¹⁾	Republic of Ireland	-	100 %
Prunalia Trading Limited ⁽¹⁾	Republic of Cyprus	100 %	100 %
Charlie Fifteenth Lease Limited ⁽¹⁾	Cayman Islands	-	100 %
November RJ Lease Limited	Cayman Islands	100 %	100 %
Oscar RJ Lease Limited	Cayman Islands	100 %	100 %
Victor Lease Limited	Cayman Islands	-	100 %
Clearjet Lease Limited ⁽¹⁾	Republic of Ireland	-	100 %
Fastjet Lease Limited ⁽¹⁾	France	100 %	100 %
Henrik Lease Limited	Cayman Islands	-	100 %

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

6 Subsidiaries and investments in equity-accounted investees (continued)

(a) Subsidiaries (continued)

Subsidiary	Country of incorporation	Group's shareholding	
		31 Dec 2012	31 Dec 2011
Tamarind Lease Limited	Cayman Islands	100 %	100 %
Al Waha Lease (Ireland No 2) Limited	Republic of Ireland	100 %	100 %
Oasis Investment No 1 Limited	Cayman Islands	100 %	100 %
Oasis Investment No 2 Limited	Cayman Islands	100 %	100 %
Al Waha (Cayman 1) Lease Limited	Cayman Islands	-	100 %
Peninsula Investments Limited	Cayman Islands	100 %	100 %
OL SPV Limited ⁽¹⁾	Cayman Islands	100 %	100 %
Wahaflot Leasing 2 Limited	Republic of Cyprus	100 %	100 %
Waha Offshore Marine Services ⁽¹⁾	Cayman Islands	100 %	100 %
Waha AV Coöperatief U.A.	Netherlands	-	100 %
Waha AV Holdings B.V. ⁽¹⁾	Netherlands	-	100 %
Waha AV Participations BV ⁽¹⁾	Netherlands	-	100 %
Alpha Waha Mauritius 1 Limited	Mauritius	100 %	100 %
Alpha Waha Mauritius 2 Limited	Mauritius	100 %	100 %
Waha Financial Services (Abu Dhabi) Limited ⁽³⁾	Cayman Islands	100 %	100 %
WFS Investment Management Company Limited ^{(1) (4)}	Cayman Islands	100 %	100 %
Waha I Limited ⁽¹⁾	Cayman Islands	100 %	100 %
Waha II Limited ⁽¹⁾	Cayman Islands	100 %	100 %
Waha Mermaid Limited ⁽¹⁾	Cayman Islands	100 %	100 %
Al Waha Ship Investment LLC ⁽¹⁾	UAE	100 %	100 %
Waha AC Coöperatief U.A.	Netherlands	100%	100%
Siraj Finance PrJSC	UAE	83.3%	-

(1) Indirectly held through subsidiaries.
(2) Formerly known as Al Waha Special Maritime Units LLC
(3) Formerly known as WFS Derivatives Limited
(4) Formerly known as Waha Financial Services Derivatives Limited

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

6 Subsidiaries and investments in equity-accounted investees (continued)

(b) Investments in equity-accounted investees

The Group has the following interest in equity-accounted investees:

Entity	Country of incorporation	Group's shareholding	
		31 Dec 2012	31 Dec 2011
(i) Jointly controlled entities			
Industrial City Cooling Company ("ICCC")	UAE	27.5%	27.5%
WOLF A340 LLC	United States of America	50%	50%
MENA Infrastructure Fund GP (Limited)	UAE	33.3%	33.3%
Dunia Finance LLC	UAE	25%	25%
Dunia Services FZ-LLC	UAE	25%	-
Mena Holdings Limited	Cayman Islands	33.3%	33.3%
Aerlift Leasing Limited	Isle of Man	60.4%	60.4%
(ii) Associates			
Addax Bank BSC	Bahrain	46.9%	46.9%
Abraaj Aqua SPV limited (indirectly held through OL SPV limited)	Cayman Islands	49%	49%
AerCap Holdings NV	Netherlands	26.3%	21.3%
Siraj Finance PrJSC	UAE	-	37.5%

During the year, the Group increased its stake in Siraj Finance PrJSC from 37.5% to 83.3% and paid a consideration of AED 42,447 in cash for the acquisition. As a result, the Group has obtained control over Siraj Finance PrJSC and consequently has consolidated its results in the current year financial statements as opposed to equity accounting method followed in the prior year. Based on management’s internal assessment, the amount of consideration paid approximates the Group’s share of the fair value of net identifiable assets, liabilities and contingencies acquired. The net movement in cash flows on acquisition of Siraj Finance PrJSC is as stated below.

Cash consideration paid	(42,447)
Cash acquired from Siraj Finance PrJSC as at the acquisition date	88,707
Net cash flow on acquisition in Siraj Finance PrJSC	46,260

7 Operating segments

The Group has four reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Managing Director reviews internal management reports on, at least, a monthly basis.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

7 Operating segments (continued)

Aviation

The aviation segment represents the Group's investments in the aviation sector.

Financial services

Financial services represent the Group's operations in financial services and investments in various financial institutions.

Real Estate

The real estate segment represents the Group's operations in a real estate development project.

Maritime

The maritime sector represented an equity investment and vessels which were classified as non-current assets held for sale.

As a result the segment information below does not include any amounts for these non-current assets held for sale, which are described in more detail in note 14.

Information related to the operating segments is mentioned below:

	Aviation		Real estate		Financial Services		Corporate		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Operating income	10,703	36,301	30	-	249,403	231,056	-	-	260,136	267,357
Share of profit / (loss) from equity-accounted investees	212,404	113,320	-	-	(8,328)	5,824	-	-	204,076	119,144
Total operating income	223,107	149,621	30	-	241,075	236,880	-	-	464,212	386,501
Segment result	189,798	101,601	(5,538)	(6,274)	191,024	211,230	(135,881)	(138,913)	239,403	167,644

Segment income reported above represents income generated from external customers. There was no inter-segment income during the year (2011: Nil)

	Aviation		Real estate		Financial services		Maritime		Corporate		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Assets*	2,222,625	2,126,737	783,153	577,408	917,712	854,043	19,140	341,166	197,267	303,508	4,139,897	4,202,862
Assets relating to Maritime Sector (now discontinued)	-	-	-	-	-	-	295,207	-	-	-	295,207	-
Consolidated Total Assets	2,222,625	2,126,737	783,153	577,408	917,712	854,043	314,347	341,166	197,267	303,508	4,435,104	4,202,862
Investment in equity-accounted investees*	2,135,486	1,943,625	-	-	119,884	166,091	-	235,346	-	-	2,255,370	2,345,062
Segments liabilities	44,316	72,261	32,237	100,481	390,128	374,181	54,447	54,093	1,570,377	1,369,917	2,091,505	1,970,933
Additions**	-	-	223,801	277,682	-	-	1,713	1,895	2,094	622	227,608	280,199
Depreciation	-	29	15	10	1,540	136	4,979	4,722	2,711	3,610	9,245	8,507

* Assets and Investment in equity accounted investees exclude those relating to non-current assets classified as held for sale

**Additions mainly represent additions to investment properties

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than AED 197,267 (2011: AED 303,508)
- All liabilities are allocated to operating segments other than AED 1,570,377 (2011: 1,369,917)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration cost amounting to AED 135,881 (2011: AED 138,913). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

8 Investment property

	2012	2011
At 1 January	551,942	274,260
Additions*	223,801	277,682
At 31 December 2012	775,743	551,942

*includes borrowing cost of AED 17,448 (31 December 2011: AED 8,646)

Applying the accounting policy with respect to government grants (refer to note 3(n)) and investment properties (refer to note 3(e)), the Group has recognised a portion of the land granted in the consolidated financial statements. At 31 December 2012, the fair value of the unrecognised portion of the land granted is estimated at AED 554,735 (2011: AED 551,968).

The fair value of investment property has been determined based on valuation methodologies accepted by the Royal Institute of Chartered Surveyors. The valuation is performed by accredited independent appraisers having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued. Valuation methodologies considered by the independent appraisers include:

- The Residual Value Method, which requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.
- The Income Capitalisation Approach, where income receivable under comparable leases, existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Investment property totalling AED 775,743 (2011: 551,942) is pledged as security against the Group's borrowings.

9 Vessels

	2012	2011
Cost		
At 1 January	96,477	94,582
Additions	1,714	1,895
Transferred to Assets classified as held for sale (refer to note 14)	(98,191)	-
At 31 December	-	96,477
Accumulated depreciation and impairment		
At 1 January	10,071	5,403
Depreciation for the year	4,884	4,668
Impairment for the year	9,676	-
Transferred to Assets classified as held for sale (refer to note 14)	(24,631)	-
At 31 December	-	10,071
Net book value		
At 31 December	-	86,406

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

10 Investments in finance leases

The Group has placed assets on finance leases for periods up to 6 years (2011: 7 years), with effective interest rate of 9.21% (2011: 9.21%).

Investment in finance leases comprise:

	2012	2011
Minimum lease payments / gross investment	43,309	51,066
Unearned finance income	(9,544)	(13,107)
	33,765	37,959

Gross investment in finance leases:

	2012	2011
Within one year	7,757	7,757
Between one and five years	31,028	31,028
More than five years	4,524	12,281
	43,309	51,066

Present value of minimum lease payments:

	2012	2011
Within one year	4,850	4,425
Between one and five years	24,526	22,377
More than five years	4,389	11,157
	33,765	37,959

Movement in net investment during the year:

	2012	2011
At 1 January	37,959	41,996
Payments received	(4,194)	(4,037)
At 31 December	33,765	37,959

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

11 Loan investments

Loan investments represent the Group's interest in loan portfolios and loans provided to an equity-accounted investee of AED 58,848 (2011: AED 58,848). The maturity profile of these loan investments is as follows:

Payments due:

	2012	2011
Within one year	66,020	83,434
Between one and five years	19,072	40,028
More than five years	220,680	240,086
	305,772	363,548

Loan investments amounting to AED 84,615 (2011: AED 142,145) are secured by aircraft portfolio, investments and properties held by the borrowers. The above loan investments carry interest rates ranging from 4% to 8% per annum (2011: 5% to 15% per annum). During the year, an impairment of AED 15,978 (2011: AED 7,989) was made against a loan investment.

The maximum exposure to credit risk for loan investments at the reporting date by geographic region is:

	2012	2011
Middle East and Asia Pacific	58,848	58,848
Other regions	246,924	304,700
	305,772	363,548

12 Investments in equity-accounted investees

The movement of investment in equity-accounted investees is presented below:

	2012	2011
At 1 January	2,345,062	2,202,662
Additions	75	37,774
Reclassified as a subsidiary	(35,228)	-
Transferred to assets classified as held for sale (refer to note 14)	(221,647)	-
Share of profit	194,204	113,517
Share of equity reserves	(12,086)	(3,086)
Distributions received	(15,010)	(5,805)
As at 31 December	2,255,370	2,345,062

Equity investments totalling AED 2,145,245 (2011: 1,917,486) are pledged as security against the Group's borrowings.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

12 Investments in equity-accounted investees (continued)

Summary financial information in equity-accounted investees (not adjusted for the interest held by the Group) is as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Expenses	Profit / (loss)
As at 31 Dec 2012*	3,562,684	31,409,705	2,462,375	23,647,472	4,237,790	3,576,307	661,483
As at 31 Dec 2011	3,296,101	35,288,953	2,942,851	25,501,106	5,360,341	4,594,408	765,933

* Summary financial information for equity accounted investees at the reporting date excludes the financial information related to an investment classified as held for sale (refer to note 14).

At the reporting date, equity-accounted investees had contingent liabilities of AED 431,056 (2011: AED 264,407) and capital commitments of AED 3,101,240 (2011: AED 4,643,104).

The fair value of publicly listed equity-accounted investees based on quoted market price is AED 1,506,124 (2011: 1,239,369)

13 Investments available-for-sale

Available-for-sale investments represent certain investments in a fund, registered in UAE. The carrying amount represents the net asset value of the investment as at the reporting date. Movement during the year represents further investment of AED 13,589 (2011: AED 33,070) and fair value loss of AED 5,893 (2011: AED 634).

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

14 Assets classified as held for sale

	2012	2011
Equity investment in the maritime sector (a)	221,647	-
Vessels (b)	73,560	-
At 31 December	295,207	-

- (a) The Group intends to dispose of an equity investment in the maritime sector and anticipates that the disposal will be completed in the next 12 months. This asset was classified as held for sale on 30 November 2012.
- (b) The Group intends to dispose of vessels in the next 12 months. The vessels are leased to a third party and are expected to remain leased on the disposal of vessels to a strategic investor. A loss of AED 9,676 (2011: AED Nil) was recognized upon the classification of vessels as held for sale.

Assets held for sale totalling AED 73,560 (2011: 86,406) are pledged as security against the Group's borrowings.

	2012	2011
Profit and loss from discontinued operations		
Operating income (b)	26,285	25,566
Share of loss from equity-accounted investee (a)	(9,872)	(5,627)
Operating costs (b)	(35,952)	(24,186)
Administrative and other expenses (b)	(7,216)	(8,144)
Operating loss	(26,755)	(12,391)
Other income (b)	26	60
Loss for the year from discontinued operations	(26,729)	(12,331)

	2012	2011
Cash Flow from discontinued operations		
Net cash generated from operating activities	16,132	7,416
Net cash used in investing activities	(5,441)	(3,422)
Net cash used in financing activities	(13,989)	(7,293)

15 Inventories

	2012	2011
Aircraft spare parts	18,866	21,623
Impairment on slow moving and obsolete inventories	(11,402)	-
Spare parts and consumables	-	858
	7,464	22,481

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

16 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent derivative financial instruments and investments in equity securities listed in the securities markets in UAE.

	2012	2011
Derivative assets*	176,791	183,389
Others investments**	13,830	11,086
	190,621	194,475

*The derivative assets held by the Group, have a notional value of AED 1,788,244 (2011: AED 1,998,625). The fair values have been derived by discounting the cash flows at relevant market rates.

Contractual maturities of derivative assets/liabilities based on net undiscounted cash flows:

	2012	2011
Within one year	6,555	7,501
Between one year and five years	19,285	22,618
More than five years	6,633	10,496
	32,473	40,615

**Other investments include listed equity securities, a two percent increase/decrease in the closing price at the reporting date would have increased/decreased profit by AED 161 (2011: AED 105).

17 Cash-encumbered

	2012	2011
Minimum cash balances as per loan agreements	10,873	7,146
Amounts set aside for prior year dividends and rights issue re-funds	14,431	10,806
Deposits under lien*	35,000	-
	60,304	17,952

* Deposits under lien represent a cash collateral for a letter of guarantee issued by a commercial bank in favour of the Central Bank of the UAE on behalf of a subsidiary.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

18 Trade and other receivables

	2012	2011
Trade receivables	111,816	98,594
Prepayments and advances	9,587	28,052
Accrued interest	34,144	27,787
Other receivables	22,689	39,070
	178,236	193,503

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region is:

	2012	2011
Middle East and Asia Pacific	5,919	6,017
Other regions	105,897	92,577
	111,816	98,594

The trade receivables are not exposed to any significant currency risk since all trade receivables are denominated in either US Dollars or in AED (AED is pegged to the US Dollar).

The ageing of trade receivables at the reporting date is:

	2012	2011
Not past due	110,351	97,152
61 days- 120 days	1,465	1,442
	111,816	98,594

19 Cash and cash equivalents

	2012	2011
Short term deposits held with banks	48,000	150,000
Cash at bank	171,529	133,963
Cash in hand	106	66
	219,635	284,029

The interest rate on short term deposits ranges between 0.40% and 3.00% (2011: 2.75% and 3.00%) per annum. All bank deposits are placed with banks in the United Arab Emirates.

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

20 Share capital

	2012	2011
Authorised, issued and fully paid up capital:		
1,897,087,500 shares (2011: 1,897,087,500 shares) of AED 1 each	1,897,088	1,897,088

21 Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984 (as amended) and the Company's Articles of Association, 10% of the profit after tax is transferred at the end of each financial year to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

22 Borrowings

	2012	2011
Secured loans	1,565,822	1,402,882
Unsecured loans	220,680	220,680
	1,786,502	1,623,562

Secured loans

These represent commercial loans obtained for financing investments and assets. These loans are denominated in US Dollars and are repayable in periodic instalments.

These loans are generally secured by a first priority mortgage over certain assets, assignment of insurances, assignment of lease rentals, a charge over the subsidiaries' and the jointly controlled entities' bank accounts, and a pledge over the shares of the subsidiaries and jointly controlled entities.

As at the reporting date, the carrying amount of investments and assets pledged to lenders as security, amounted to AED 2,973,548 (2011: AED 2,499,757). The investments and assets pledged to lenders as security are the Group's interests in real estate (refer to note 8), equity accounted investees (refer to note 12) and vessels (refer to note 9). Subsequent to the reporting date, the Group repaid the secured debt relating to vessels and all pledges related to these assets were released (refer to note 34).

The Group has borrowings with both fixed and floating interest rates. During the year, floating rate loans and fixed rate loans carried an effective rate of interest of 3.81% to 8.00% per annum (2011: 3.76% to 8.00% per annum).

	2012	2011
At 1 January	1,402,882	193,553
Loans borrowed	183,900	1,323,344
Loan origination costs, net of amortisation	13,610	(29,551)
Loans repaid	(11,864)	(16,512)
Loans disposed	(22,706)	(67,952)
At 31 December	1,565,822	1,402,882

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Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

22 Borrowings (continued)

The following are the contractual maturities of the secured loans:

	2012	2011
Within one year	11,179	11,951
Between one year and five years	1,554,643	1,363,339
More than five years	-	27,592
	1,565,822	1,402,882

Secured loans mature over a period of between one to five years from the reporting date. As at the reporting date the Group had AED 350,146 (2011: AED 534,046) of un-drawn banking facilities.

Unsecured loans

These represent commercial loans and other banking facilities obtained by the Group. These loans are denominated in US Dollars and are repayable at maturity. These loans bear floating rates of interest at market rates prevailing during the course of the loans. The effective rate of interest of these loans was 3.93% per annum (2011: 1.23% to 5.00% per annum).

	2012	2011
At 1 January	220,680	1,324,080
Loans repaid	-	(1,103,400)
At 31 December	220,680	220,680

The following are the contractual maturities of the unsecured loans:

	2012	2011
Within one year	-	-
Between one year and five years	-	-
More than five years	220,680	220,680
	220,680	220,680

23 Trade and other payables

	2012	2011
Trade payables*	17,908	1,033
Interest accrued on borrowings	25,655	16,557
Derivative liabilities (refer to note 16)	145,057	144,267
Other payables and accruals**	116,383	185,514
	305,003	347,371

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

23 Trade and other payables (continued)

The fair value of the derivative liabilities held by the Group have a notional value of AED 1,816,310 (2011: AED 2,046,114). The fair values have been derived by discounting the cash flows at relevant market rates. The contractual maturities for trade and other payables are within one year except for derivative liabilities which have been disclosed in note 16 of these consolidated financial statements.

*Trade and other payables are stated at amortised cost except for derivative liabilities which are stated at fair value.

** The Group's accrual has reduced significantly due to payments to contractors for development of investment properties. These capital expenditures were incurred and accrued for in the previous year and were paid during the current period.

24 Operating income

	2012	2011
Transaction services fees	230,427	206,599
Operating leases	-	1,171
Interest income from finance leases	3,563	3,720
Interest income from loan investments	13,020	22,419
Fair value gain on derivatives	812	2,067
Other operating income	12,314	31,381
	260,136	267,357

25 Operating costs

	2012	2011
Interest on borrowings	68,780	71,422
Provision for slow moving and obsolete inventories	11,402	1,402
Provision for doubtful loans and receivables	15,978	7,989
Asset management expenses	3,099	19,316
	99,259	100,129

26 Administrative and other expenses

	2012	2011
Staff costs (refer to note 29)	84,706	74,860
Legal and other professional fees	16,948	15,412
Travel expenses	1,288	1,192
Depreciation on furniture and equipment	4,267	3,785
Advertisement and marketing expenses	7,421	7,859
Other administrative expenses	15,957	14,124
	130,587	117,232

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Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

27 Other income / (loss)

	2012	2011
Interest on bank deposits	1,744	145
Gain / (loss) from fair value of financial assets at fair value through profit and loss	3,375	(1,889)
Others	(82)	248
	5,037	(1,496)

28 Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
Profit attributable to ordinary equity holders	214,441	155,313
Ordinary shares (refer to note 20)	1,897,087,500	1,897,087,500
Basic and diluted earnings per share (AED)		
- from continuing operations	0.127	0.088
- from discontinued operations	(0.014)	(0.007)

Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares at 1 January	1,897,087,500	1,732,500,000
Effect of stock dividend	-	164,587,500
Weighted average number of ordinary shares at 31 December	1,897,087,500	1,897,087,500

29 Related parties transactions and balances

Related parties may include major shareholders of the Group, directors or officers of the Group, enterprises that are in a position to exercise significant influence over the Group or those enterprises over which the Group can exercise significant influence or has joint control). Transactions with related parties are at terms agreed by management and are in the ordinary course of business.

Significant transactions with related parties during the year include:

Key management personnel compensation

	2012	2011
Salary and benefits	21,961	23,683
Terminal benefits	526	517
	22,487	24,200

Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

29 Related parties transactions and balances (continued)

Other transactions with related parties

	2012	2011
Interest income from loan investments	-	3,399

Significant balances with related parties

	2012	2011
Loan investments provided to an associate	58,848	73,281
Trade and other receivables from an associate	12,719	12,719

30 Dividend

During 2012, the shareholders approved a cash dividend of AED 94,854 and stock dividend of AED Nil (2011: cash dividend of AED 51,975 and stock dividend of AED 164,588).

31 Contingent liabilities and capital commitments

Where applicable, the Group has contingent liabilities in the ordinary course of business in respect of lease maintenance contributions and other indemnities/guarantees provided as a part of disposal of investments to counterparties. Management of the Group believes that no material liability will arise from such obligations.

At the reporting date, the Group has investment commitments to a fund amounting to AED 58,217 (2011: AED 48,469) and capital commitments of AED 63,855 (2011: AED 233,062) with respect to the development of Phase 1 of Al Markaz project.

The group has entered into a five-year operating lease arrangement for new office space effective 9 September 2012. Annual lease payments are paid in advance. Following is the future lease payment schedule:

	2012	2011
Due within 1 year	3,139	-
Due between 2 to 5 years	9,417	-

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	12,556	-
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Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

32 Fair values

(a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in active market for identical assets or liabilities

Level 2 : other techniques for which all inputs which have a significant impact on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques for which inputs which have a significant impact on the recorded fair value are unobservable market data

As at 31 December 2012, the Group held the following financial instruments at fair value:

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Investment in equity securities	13,830	8,064	5,766	-
Derivative assets	176,971	-	176,971	-
Investments available-for-sale	108,883	-	-	108,883
Derivative liabilities	(145,057)	-	(145,057)	-

As at 31 December 2011, the Group held the following financial instruments at fair value:

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Investment in equity securities	11,086	5,249	5,837	-
Derivative assets	183,389	-	183,389	-
Investments available-for-sale	100,524	-	-	100,524
Derivative liabilities	(144,267)	-	(144,267)	-

(b) Fair values of financial assets and liabilities

The fair values of financial assets and liabilities, together with their carrying amount, are as follows:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan investments	305,772	305,772	363,548	362,780
Investments available-for-sale	108,883	108,883	100,524	100,524
Financial assets at fair value through profit or loss	190,621	190,621	194,475	194,475
Cash encumbered	60,304	60,304	17,952	17,952
Trade and other receivables	178,236	178,236	193,503	193,503
Cash and cash equivalents	219,635	219,635	284,029	284,029
Financial liabilities				
Borrowings	1,786,502	1,786,502	1,623,562	1,655,510

Trade and other payables	305,003	305,003	347,371	347,371
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Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

33 Other disclosures

The Group's exposure in certain assets is classified as domestic (UAE) or foreign, for the year ended 31 December 2012 as explained below:

	Domestic	Foreign	Total
Vessels	-	-	-
Investments in finance leases	-	33,765	33,765
Investment in equity-accounted investees	110,363	2,145,008	2,255,370
Loan investments	-	305,722	305,722
Inventory	-	7,464	7,464
Investments in available-for-sale	108,883	-	108,883
Financial assets at fair value through profit or loss	13,901	176,719	190,621
	233,147	2,668,678	2,901,825

	Domestic	Foreign	Total
Cash encumbered	60,304	-	60,304
Cash and cash equivalents	218,496	1,139	219,635
	278,800	1,139	279,939

The Group's exposure in certain assets is classified as domestic (UAE) or foreign, for the year ended 31 December 2011 as explained below:

	Domestic	Foreign	Total
Vessels	86,406	-	86,406
Investments in finance leases	-	37,959	37,959
Investment in equity-accounted investees	364,467	1,980,595	2,345,062
Loan investments	-	363,548	363,548
Inventory	858	21,623	22,481
Investments in available-for-sale	100,524	-	100,524
Financial assets at fair value through profit or loss	11,086	183,389	194,475
	563,341	2,587,114	3,150,455

	Domestic	Foreign	Total
Cash encumbered	17,952	-	17,952
Cash and cash equivalents	282,890	1,139	284,029

	300,842	1,139	301,981
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Notes to the consolidated financial statements (continued)

(All amounts in thousands of AED, unless otherwise stated)

34 Subsequent events

On 21 February 2013, the Group entered into a Sale and Purchase Agreement with a third party for the disposal of vessels which were classified as held for sale as at 31 December 2012. The cash consideration for this transaction amounted to AED 73,560 and was received by the Group on 21 February 2013. Prior to consummating the sale transaction, the Group had repaid the debt relating to the vessels and all pledges were released (refer to note 22).

35 Comparative information

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements. Transaction costs previously presented as Project Costs separately in the 2011 annual consolidated financial statements, were reclassified and presented net of borrowings or as loan investments as applicable so as to align the current presentation of these consolidated financial statements with the requirements of the applicable International Financial Reporting Standards. The reclassified items from the statement of financial position pre and post reclassification as at 31 December 2011 are stated below:

	Pre- reclassification	Post- reclassification
Loan investments	362,825	363,548
Project Costs	30,274	-
Borrowings	1,653,113	1,623,562