

ANNUAL REPORT 2011



الواحة كابيتال
Waha Capital



ANNUAL REPORT

Table of Contents

About Waha Capital	04
Chairman's Message	06
Chief Executive Officer's Message	08
Board of Directors	10
Financial Overview	14
Company Profile	15
Business Model & Strategy	16
Waha Capital Milestones	18
Waha Capital Investments	22
Finance	22
Maritime	22
Aviation	23
Real Estate	23
Selected Portfolio Highlights in 2011	24
AerCap	24
Dunia Finance	26
Stanford Marine Group	28
Corporate Governance	30
Organizational Structure	32
Executive Management Team	33
Home Market – Abu Dhabi	34
Financial Statements	
Board of Directors' Report	40
Chief Executive Officer's Report	42
Auditor's Report	44
Consolidated Financial Statements	47

About Waha Capital



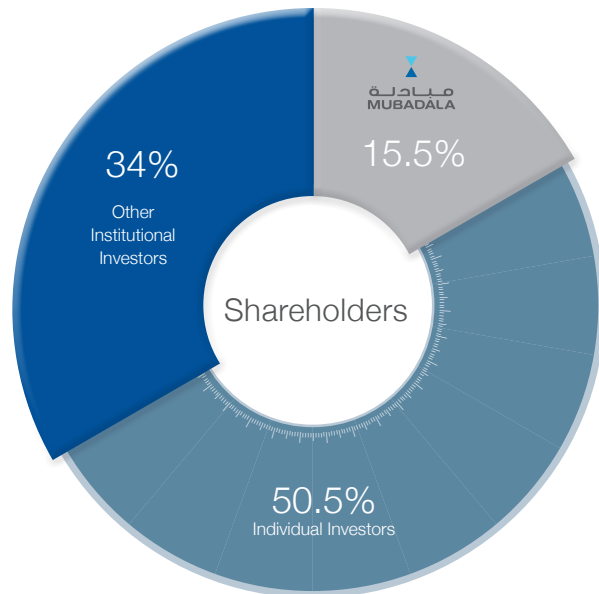
Waha Capital PJSC is a diversified investment company based in the United Arab Emirates, whose aim is to build sustainable and attractive returns for its shareholders by managing and deploying capital in areas where the company sees opportunity and can add value.

The Abu Dhabi-listed company invests primarily in aircraft leasing, offshore oil and gas services, 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 the Abu Dhabi Economic Vision 2030.

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 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,

A hallmark of success in the modern economy is the flexibility to adapt rapidly and intelligently to a constantly changing environment. This has become particularly important in light of the significant difficulties that the global economy has experienced over the past few years, particularly with the recent volatility caused by the Arab Spring and the ongoing sovereign debt crisis in the Eurozone.

Despite market conditions, Waha Capital has demonstrated success by delivering profits in each of the last nine financial years, navigating skilfully through business cycles. The company has benefitted from an investment strategy based on diversification – both thematic and geographic – and on employing its collective expertise to identify opportunity and create value. In response to the challenging global economic

outlook, the company continues to develop and fine tune its asset mix, to allocate resources to the most promising areas for expansion, and to organise its activities and operations to deliver optimal return on equity.

Our strategy is inspired by the economic diversification objectives laid out in the Abu Dhabi Economic Vision 2030, which encourages private sector growth and investment in knowledge-based industries.

Waha Capital is well positioned to take advantage of an attractive pipeline of investment opportunities.

The company has managed its capital structure prudently, and enjoys a strong vote of confidence from the financial community – as evidenced by the arrangement of a US\$505

Positioned for Growth

million loan facility with 11 regional and global banks in 2011. Shareholders have also approved a programme allowing the issuance of mandatory convertible notes, which will be activated at an opportune time to fund growth.

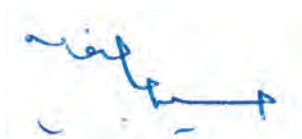
In our home market, we see enormous opportunity in the well planned path of sustainable development set out by the government of Abu Dhabi. The announcement in January 2012 by the Abu Dhabi Executive Council underlined the emirate's commitment to important infrastructure investment which will result in a significant multiplier effect on the wider economy for years to come.

As such, building on our strong partnerships – with investors, joint venture partners, and potential strategic investors in our key areas of business in the United Arab Emirates and internationally – is at the heart of the company's strategy.

I would like to express gratitude for the 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.

Furthermore, I would like to thank the Board of Directors for their significant insight and contribution. Their invaluable input has played a key role in shaping our solid performance in 2011 and positioning the business for the future. My appreciation also goes to Waha Capital's management and employees for their hard work and commitment during the year.

Yours sincerely,



Hussain J. Al Nowais

Chairman of the Board, Waha Capital PJSC



Chief Executive Officer's Message



Dear Shareholders,

I am pleased to report that Waha Capital recorded a net profit of AED 155 million in 2011, with key portfolio companies and our financial services business holding up well against testing global economic conditions. This resilience has placed Waha Capital in a strong position, enabling the company to press ahead with its growth plans and to meet future challenges.

While the global economy slowed in 2011, with demand for goods and services suffering due to the European debt crisis, the tsunami in Japan, and a stuttering U.S. recovery, Waha Capital's diverse holdings registered some notable accomplishments.

Looking at some of our investments, New York-listed aircraft leasing company AerCap, one of the largest contributors

to Waha Capital's net income, increased its basic leasing revenue in 2011. The company strengthened its cash position through the sale of its AeroTurbine business, while acquiring nearly US\$1 billion of aircraft assets in 2011. We are confident in the firm's growth prospects, based on its robust business model and strong capital position.

Meanwhile, offshore oil and gas services company Stanford Marine Group continued to expand its fleet, adding another six supply vessels in 2011, which are now all on contract. Consumer finance company Dunia moved into profit ahead of target – an excellent development for a start-up company formed only a few years ago.

The first phase of ALMARKAZ, a high quality industrial real estate project operated and owned by Waha Land, is now

Resilience and Sustainable Profitability

nearing completion. The initial phase of the project comprises 90,000 m² of multi-purpose space aimed at providing businesses flexible and affordable facilities with state-of-the-art infrastructure. The units will be delivered to end users and real estate investors during the first half of 2012.

Our top priority is to build on these achievements by actively looking to invest in selected sectors where we believe we can add value and continue to achieve attractive returns for our shareholders. With gearing at a prudent level of 38 percent, a loan facility with a syndication of regional and global banks in place, and a mandatory convertible notes programme approved by shareholders, Waha Capital is in a strong position to fund future growth.

The company is fully committed to implementing the highest international standards of corporate governance across our business.

As we expand, Waha Capital's management will ensure the company is structured optimally to get the most from our diversified assets. We will look to further refine our investment strategy and build on our expertise in managing investments, while ensuring that highly skilled management teams efficiently run the day-to-day operations of our portfolio businesses. Waha Capital has begun its decisive move towards this efficient "arm's length" approach in 2011, bringing together all the assets in our offshore oil and gas services, financial services and aircraft leasing portfolios under one "Principal Investments" unit. Our aim is to strengthen and grow our portfolio by seeking investment opportunities in our home market as well as in fast growing emerging markets.

I firmly believe that rolling out this strategy over the coming months will position Waha Capital well for years to come, from both the financial and operational standpoints, and will enable us to grasp the opportunities and to tackle the challenges that lie ahead.

Yours sincerely,



Salem Rashid Al Noaimi

Chief Executive Officer, Waha Capital PJSC

Board of Directors



H.E. Saif Mohamed Al Hajeri
Vice Chairman



Khaled Abdulla Almass
Director



Mansour Mohamed Al Mulla
Director



Salem Rashid Al Noaimi
Chief Executive Officer





H.E. Hussain Jasim Al Nowais
Chairman



Abubaker Seddiq Al Khoori
Director



Carlos Obeid
Director



Fahad Saeed Al Raqbani
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.



H.E. Saif Mohamed Al Hajeri

Vice Chairman

Mr. Al Hajeri is Chief Executive Officer of Tawazun. He is responsible for driving the strategic direction of Tawazun and its 12 subsidiaries in addition to its Tawazun Economic Program. He also serves on the board of the Khalifa Fund for Enterprise Development, Al Yah Satellite Communications, Abu Dhabi National Exhibitions Company, General Holding Company, and Abu Dhabi Tourism Development and Investment Company. Mr. Al Hajeri holds a degree in Business and Economics from Lewis and Clark College in Portland, USA.



Abubaker Seddiq Al Khoori

Director

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.



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.



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.



Khaled Abdulla Almaseh

Director

Mr. Almaseh is the Chief Executive Officer and the Chairman of iTech Management Consultancy, a company delivering building implementation modeling strategies to the construction industry. He previously served as Head of Investment for Abu Dhabi Investment Company and began his career in the UAE as General Manager for United Group Holdings. Mr. Almaseh holds a degree in management science from Marylhurst University, 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 CapitalLand 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.



Salem Rashid Al Noaimi

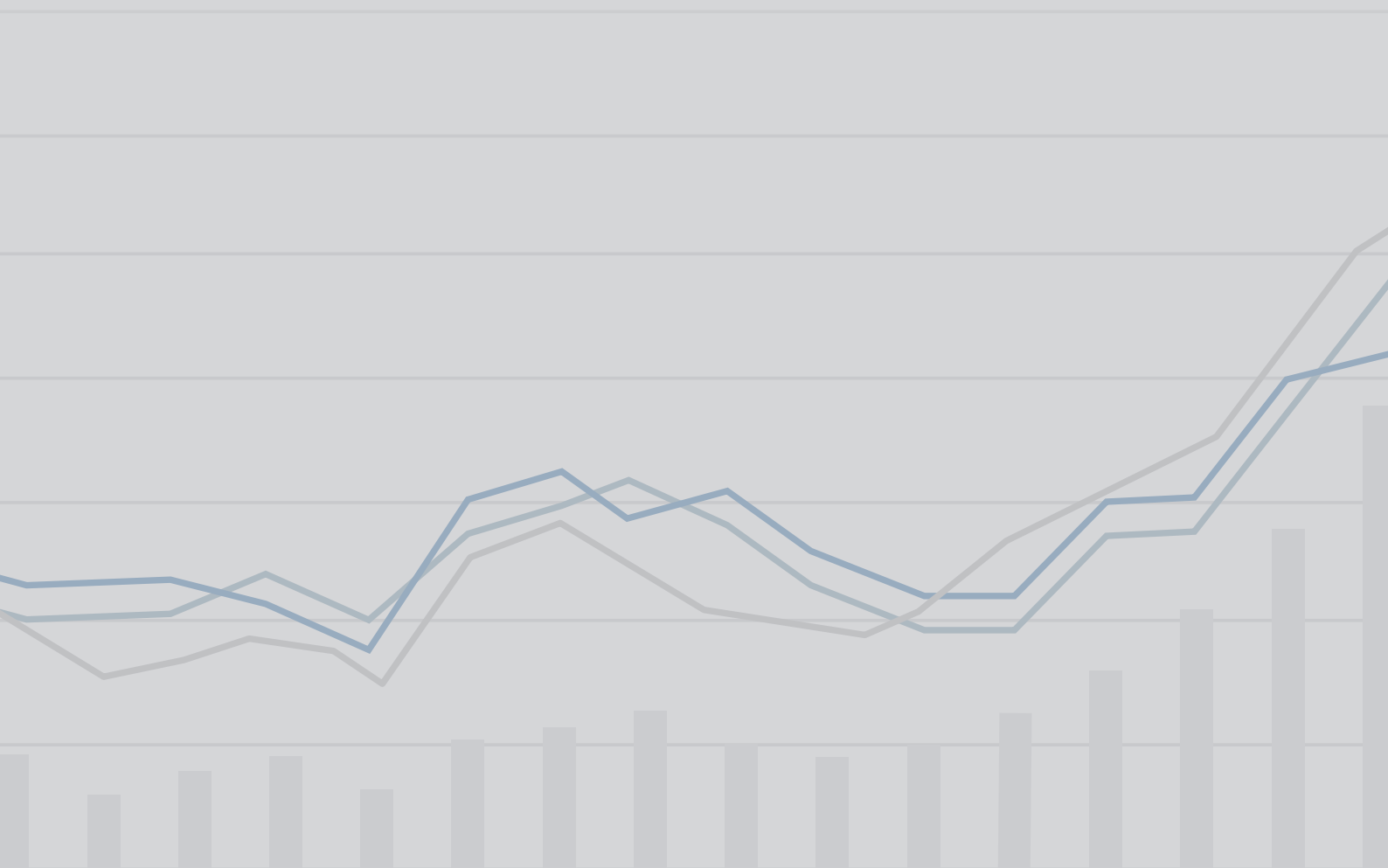
Chief Executive Officer

Mr. Al Noaimi is the Chief Executive Officer 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 (Netherlands). He holds a degree in Finance and International Business from Northeastern University in Boston, USA.

Financial Overview

Figures in AED Millions

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total Operating Income	406.4	657.5	846.2	494.6	446.2	335.1	219.8	202.1	201.1
Net Profit	155.3	249.1	216.8	40.0	170.7	95.8	28.1	7.9	4.5
Total Assets	4,232.4	3,800.5	4,253.6	4,718.3	4,479.8	3,902.4	2,849.7	1,961.7	2,055.4



Company Profile

A Diversified Investor

Waha Capital is a diversified investment company based in the United Arab Emirates, 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 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

affiliation with some of Abu Dhabi's key 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 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. In late 2010, a long relationship with AerCap Holdings N.V. culminated in a transaction that saw Waha Capital take a 20 percent stake in the Netherlands-based aircraft leasing company. Waha Capital has also invested alongside private equity firm Abraaj Capital in the Stanford Marine Group, 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 38 percent as of the end of 2011. A three-year credit facility arranged in mid 2011 with 11 regional and international banks, and a mandatory convertible notes programme already approved by shareholders, can be tapped into in order to take advantage of opportunities as they arise.

Business Model and Strategy

Structured to Maximise Returns

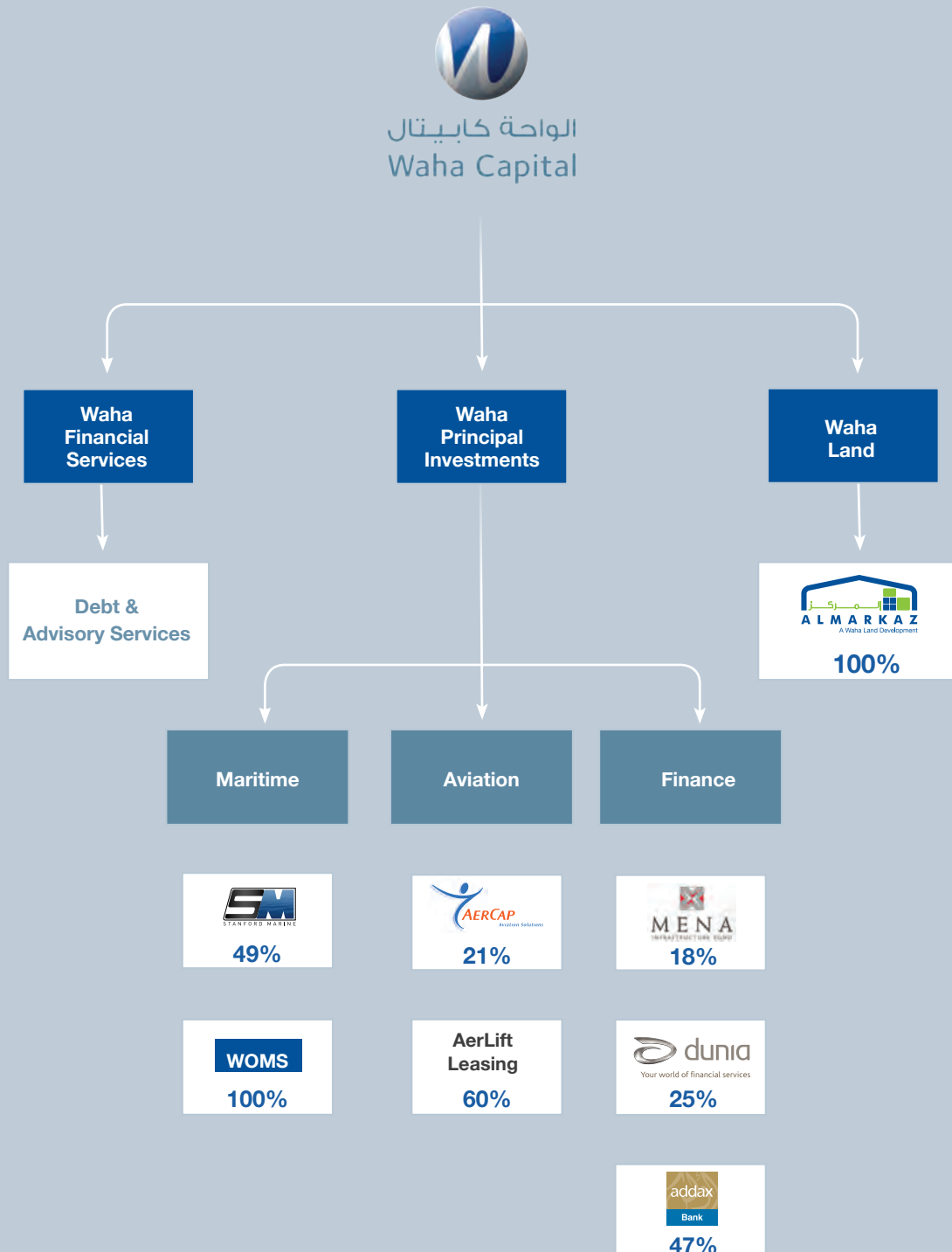
As Waha Capital expands its business, its management is ensuring that the company is structured to leverage the capabilities and expertise of its highly professional staff and to maximise income from its diversified mix of assets.

In 2011, Waha Capital made the decision to integrate three of its vertical businesses, maritime, aviation and financial investments, under one unit called Waha Principal Investments, while continuing to grow its advisory business. The Principal Investments unit brings together the company's extensive and diverse investment expertise into a single entity. This structure enables us to manage portfolio assets more efficiently and deliver maximum returns to our shareholders.

The current model allows highly skilled management teams to take responsibility for the day-to-day operations of our portfolio businesses, while Waha Capital provides support and guidance on top-line strategy. The move is part of a longer-term plan to develop an "arm's length" model of investment management.

Going forward, Waha Capital will look to hold majority stakes in companies, alongside co-investment partners, in order to exercise control over portfolio companies. We aim to continue building on our fee generating capabilities through the enhancement of our already successful advisory business. This development will help stabilize company revenues through market cycles.





Waha Capital Milestones

Continuous and rapid progress into a global player



Acquired a 47% stake
in **Addax Bank**



Acquired a 33% GP stake
and a 17.9% LP stake in
MENA Infrastructure Fund



Acquired a 49% stake in
SMG (Previously GMMOS)



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

2008

2007



Acquired a 50% stake
in **AerVenture**



Completed **\$1.2bn** capital
raising mandate



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



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



Launched Waha Offshore
Marine Services (**WOMS**)



Commenced construction
on **ALMARKAZ**
development project

2009

2010



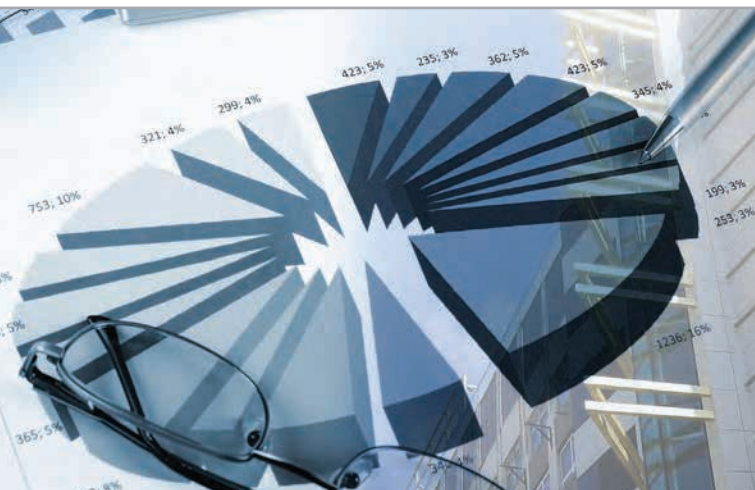
Completed **\$1.9bn** capital
raising mandate

2011



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, Dubai International 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.

Addax Bank

Founded in 2003, Addax Bank is a financial institution based in Bahrain and regulated by the Central Bank of Bahrain. Addax Bank's principal lines of business include private equity, real estate, corporate advisory and private placement.

Maritime

Waha Offshore Marine Services

Waha Offshore is an owner and operator of offshore support vessels. Wholly-owned by Waha Capital, the company provides world class premium service and caters to the needs of the oil, gas and construction sectors. The company is currently focused on serving the UAE market but will look to expand regionally in the coming years. Waha Offshore Marine Services currently possesses three vessels, and offers very high safety standards and a strong operational track record.

Stanford Marine Group

Stanford Marine Group 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, Stanford has shipbuilding and crane hire operations. Since Waha's investment at the end of 2007, the company has increased its OSV fleet, diversified into platform support vessels and broadened its geographic scope.

Aviation

AerCap

AerCap is the world's leading independent aircraft leasing company and has one of the youngest fleets in the industry. The company has over \$9bn of assets on its balance sheet and owns or manages a fleet of 350 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

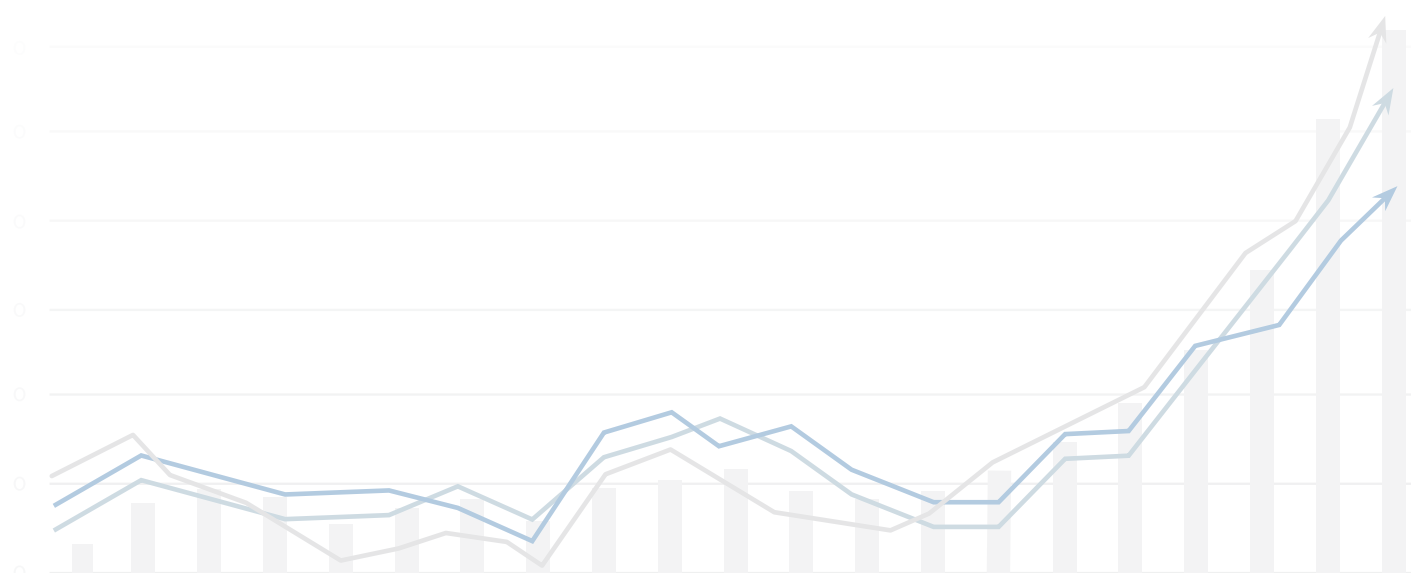
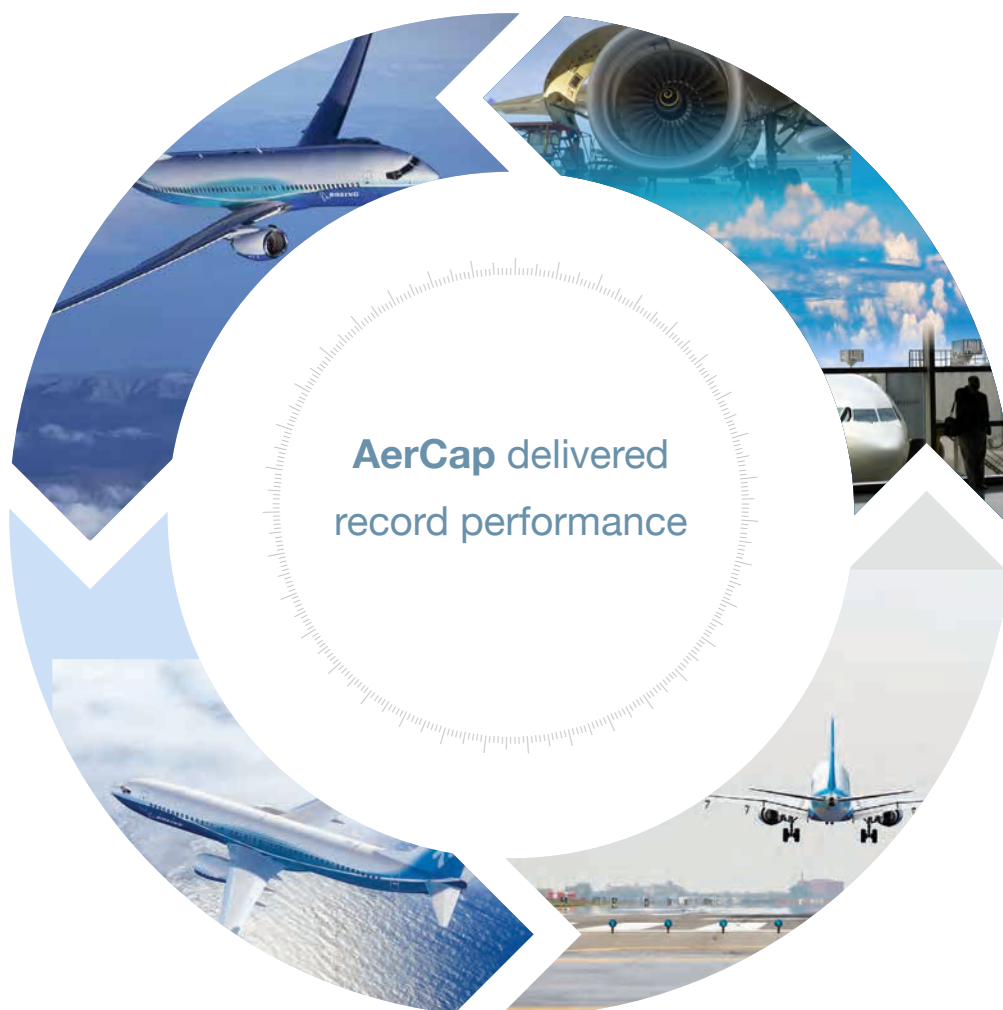
Waha Land

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 ALMARKAZ 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 2011



SPECIAL FOCUS

AerCap increases leasing revenue

The aircraft leasing market continued to perform well in 2011, with New York-listed AerCap Holdings N.V., which owns and manages 350 aircraft with a total asset value of over \$9 billion, recording over 10 percent growth in basic lease revenue.

During the year, the company sold 21 aircraft and purchased 13, maintaining the average age of its fleet at a relatively young 5.5 years. AerCap signed 26 lease agreements and letters of intent. Most notably, American Airlines agreed to the sale-leaseback of 35 B737-800 aircraft, providing stable growth for AerCap through 2014.

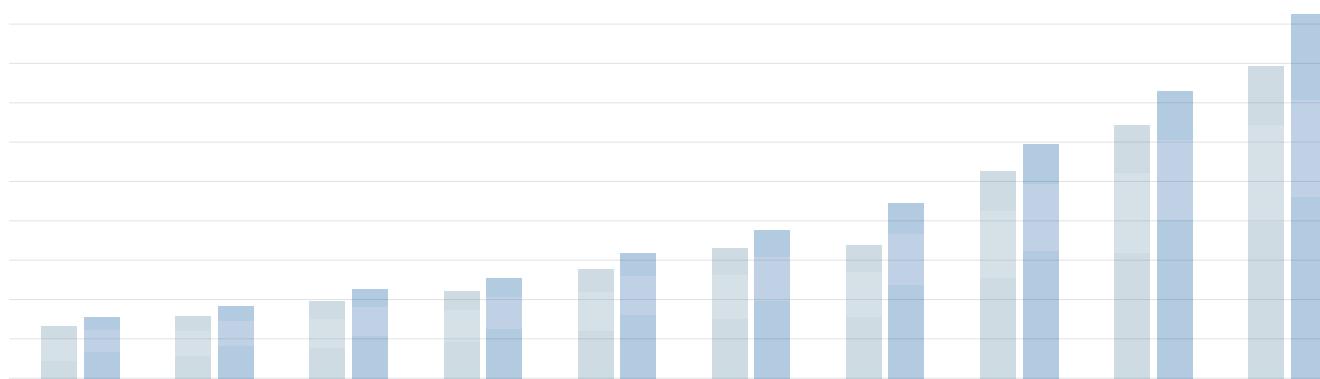
AerCap also positioned itself well for future expansion by selling AeroTurbine for \$228 million, freeing up capital for new investments. Initially, the acquisition of AeroTurbine allowed AerCap to maximize end-of-life aircraft value, but as the company modernized its fleet, the need for this lower-margin business became less pronounced. The additional capital can now be deployed in assets that deliver higher margins.

AerCap ended 2011 in a strong capital position. The company has arranged the required financing for all commitments due in 2012 and, as such, will be ready to take advantage of new opportunities. The company's aircraft portfolio is expected to grow, albeit at a slower pace than in the 2009-2010 period, when it closed several large transactions.

AerCap has positioned itself
well for **future expansion**



Select Portfolio Highlights in 2011



SPECIAL FOCUS

Dunia Finance creates a successful niche

Dunia Finance experienced a landmark year in 2011, recording its first annual profit ahead of target. The consumer finance company, which was established in the United Arab Emirates in 2008 amid the global financial turmoil, doubled revenues in the year, and saw a 50 percent increase in both its customer base and loan portfolio. Deposits from corporates, the company's key funding source, nearly tripled. These positive results are attributable to tapping into a previously underserved market.

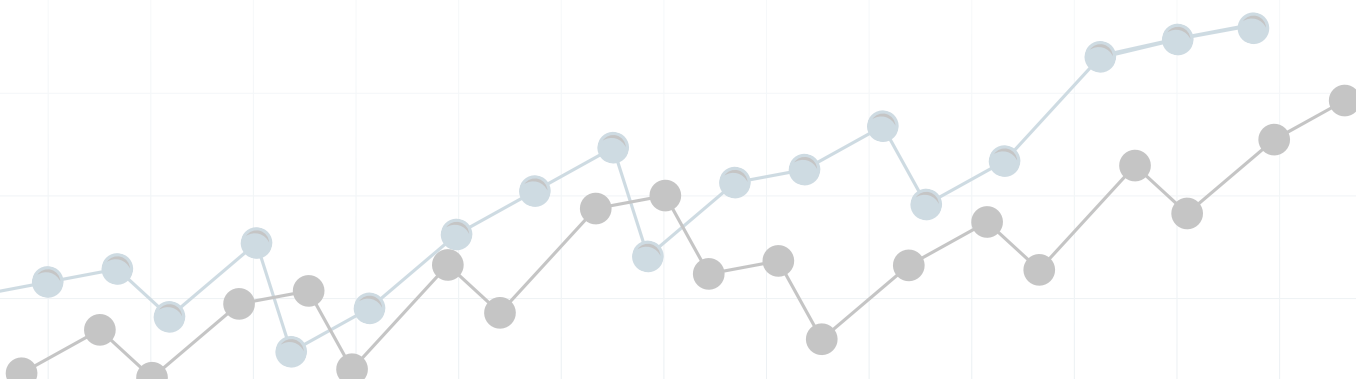
Dunia's robust business model is based on customer-centric segmentation. As such, the company has carefully identified the varying financial needs of its customers and designed appropriate solutions. The product offering currently includes personal, auto and credit card loans as well as payroll solutions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

The company currently operates 19 service centres across the country. Going forward, Dunia looks to further strengthen its balance sheet, fund portfolio growth, and increase its product range.



Deposits from corporates
nearly tripled

Select Portfolio Highlights in 2011



SPECIAL FOCUS

Stanford Marine Group witnesses improvements in business activity

Stanford Marine Group (SMG) witnessed an improvement in business activity in 2011, as the offshore oil and gas services industry began a recovery 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.

During 2011, SMG took delivery of six additional platform supply vessels (PSVs) which are now all under contract in the region as well as in Africa. For example, the company recently fixed its latest delivered PSV on a long-term contract to work for British Gas in Tanzania for a period of 18 months. Additionally, the company's Grandweld shipyard received a \$57 million contract to build six hybrid propulsion vessels for Bourbon Offshore.

The outlook for the oil service market in the Middle East is positive. Preliminary analyst estimates show a projected 10-15 percent increase in global exploration and production spending in 2012. Additionally, tenders have been put out for some very large offshore projects in the UAE which will require a significant number of additional offshore service vessels.

Waha Capital looks to
develop **strong partnerships**

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, who are all 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.

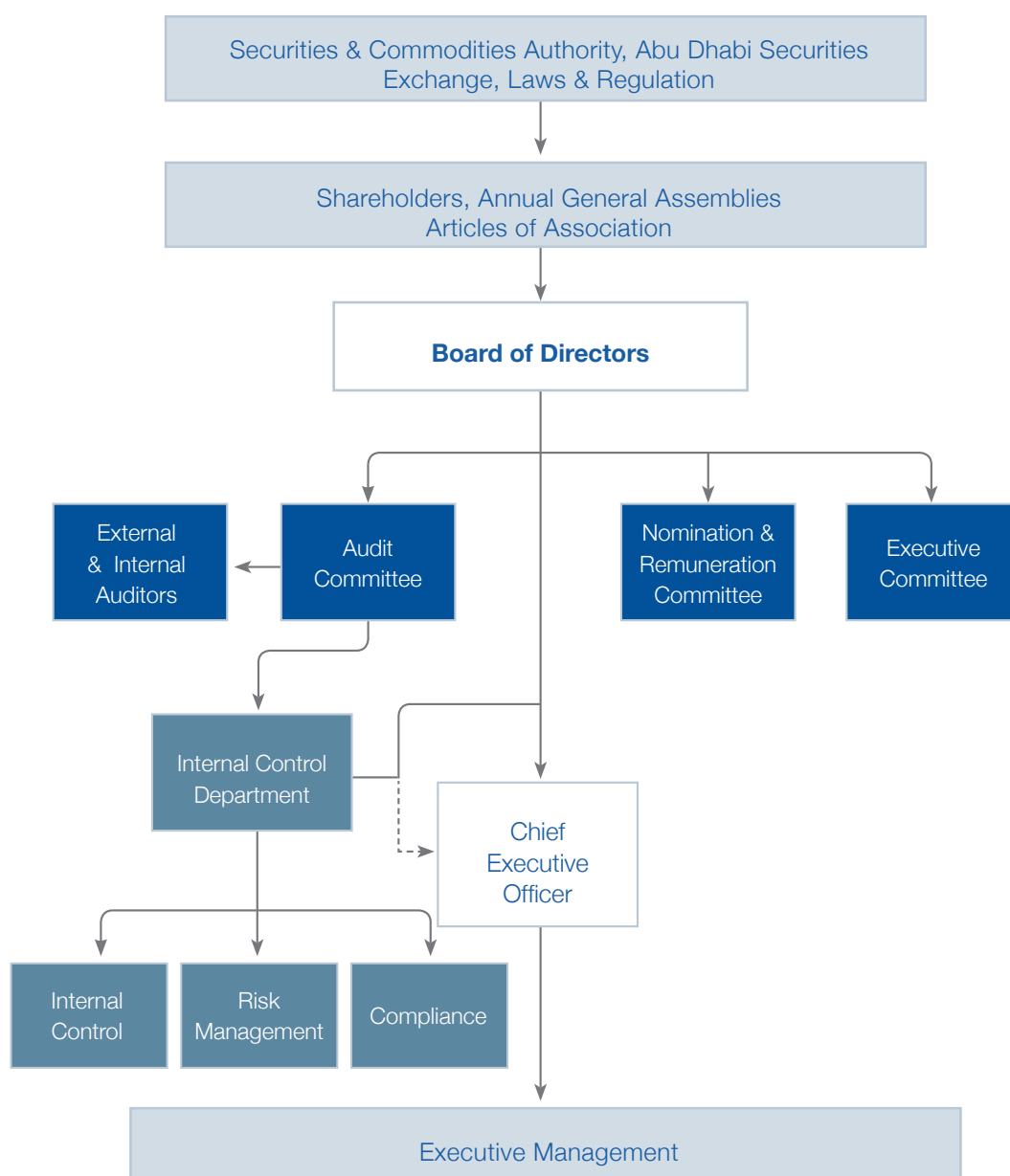
External and Internal Auditors

Waha Capital's external auditor is KPMG, which was appointed at the company's 2011 Annual General Assembly. The external auditor did not provide any non-audit services in 2011. The company's internal auditor is Deloitte, whose role is to support Waha Capital's internal control, risk management and compliance functions, through regular internal audits and risk assessments.

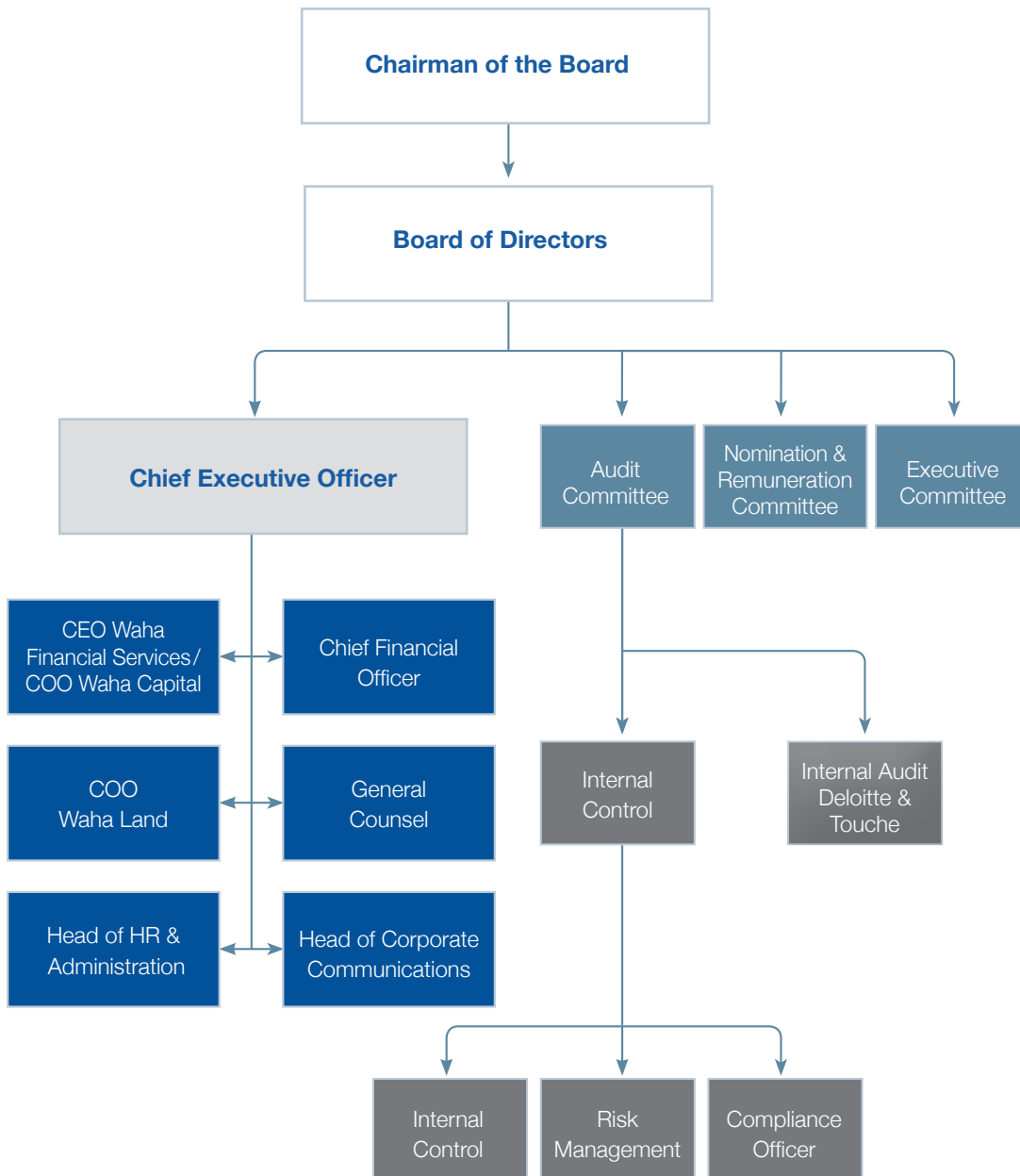
Corporate Governance Report

Further information on the company's corporate governance framework and practices is set out in the company's Corporate Governance Report for 2011, and is available on the company's website (www.wahacapital.ae).

Overview of Corporate Governance Structure



Organizational Structure



Executive Management Team



1



2



3



4



5



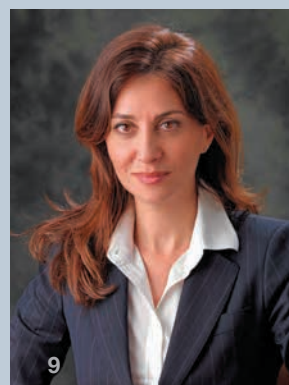
6



7



8



9

1. Salem Al Noaimi

CEO 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

Head of Principal
Investments

7. Ergham Albachir

Head of HR
& Administration

8. Safwan Said

General Counsel

9. Dana Chehayeb

Head of 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 "Abu Dhabi Economic Vision 2030" strategy for economic diversification, investing in key areas of growth and encouraging private sector development. The emirate's vision focuses primarily on building knowledge-based industries, such as petrochemicals, aerospace, and pharmaceuticals. By 2030, the Government envisages 64 percent of Abu Dhabi's GDP will come from non-oil sources, versus 32 percent in 2011.



Around \$400 billion worth of projects have either been announced or are under development in the emirate in various sectors, 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

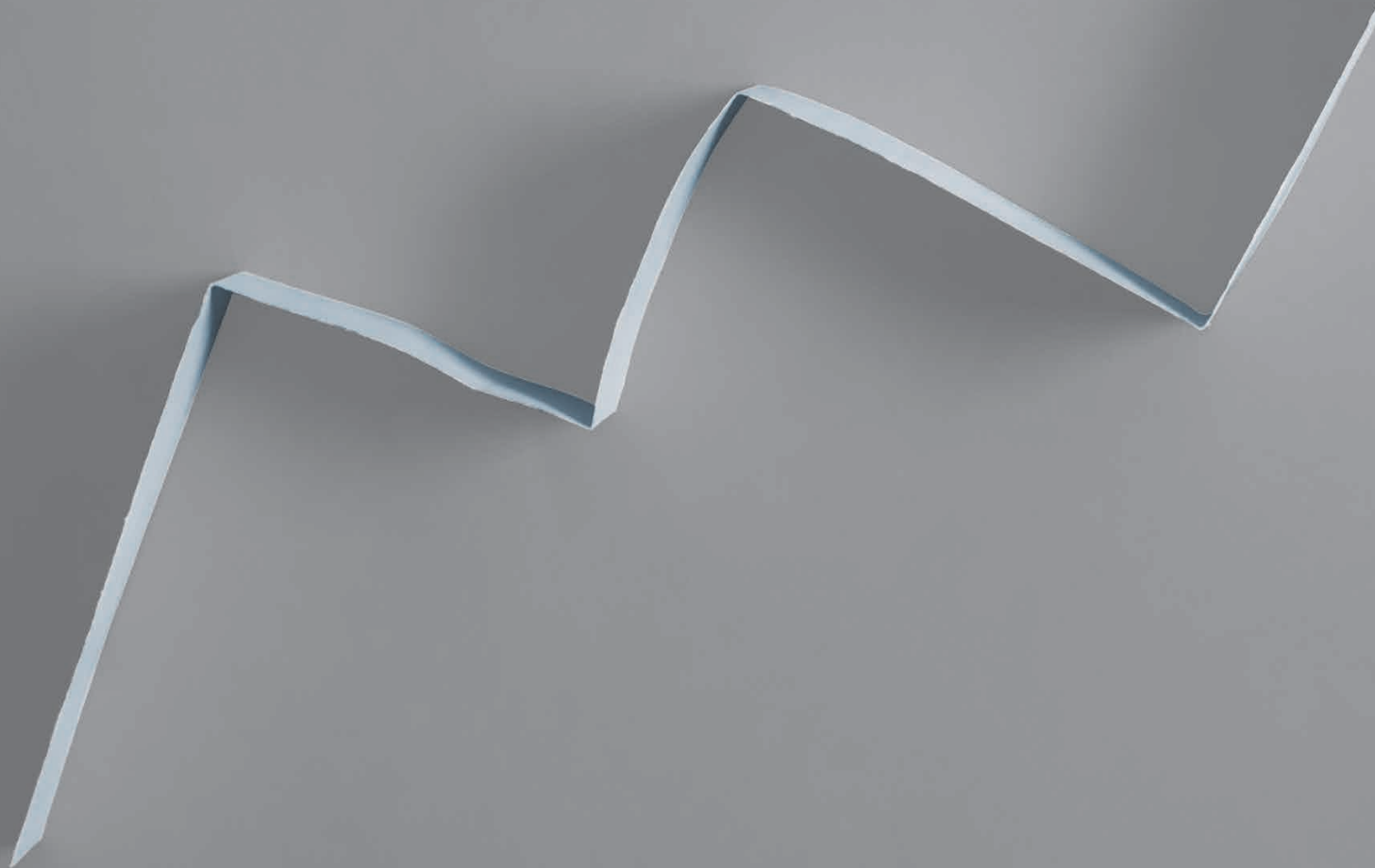
The UAE has recovered well since being shaken by the aftershocks of the 2008-2009 global economic crisis, with GDP growth estimated at 3.3 percent in 2011, accelerating from 2.1 percent in 2010, according to the International Monetary Fund.

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.

Although the country has experienced a slowdown in the real estate sector due to oversupply, the economic fundamentals remain strong and the banking system has held steady. 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 2012.

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

Waha Capital PJSC
Financial Statements
31 December 2011







AL WAHA CAPITAL PJSC

Company Information

Board of Directors

Chairman	H.E. Hussain Jasim Al Nowais
Vice Chairman	H.E. Saif Mohamed Al Hajeri
Directors	Mr. Abubaker Seddiq Al Khoori Mr. Carlos Obeid Mr. Fahad Saeed Al Raqbani Mr. Khaled Abdulla Almass Mr. Mansour Mohamed Al Mulla

Chief Executive Officer	Mr. Salem Rashid Al Noaimi
-------------------------	----------------------------

Head Office	P O Box 28922 4th Floor, Aseel Building Six Towers, Al Bateen Abu Dhabi UAE
-------------	---

Auditors	KPMG Lower Gulf Limited P O Box 7613 16th Floor, Falcon Tower Al Nasr Street 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 2011 financial results of Waha Capital, which demonstrate another year of solid profitability in an uncertain international environment.

Despite global market conditions, the company recorded a net income of AED 155 million, compared to AED 249 million in 2010, which was a record year for Waha Capital, partly due to gains recorded from the restructuring of our leasing portfolio and the acquisition of a 20 percent stake in AerCap Holdings N.V. Consequently, return on equity decreased to 7.1 percent from 12.2 percent in 2010, but still compares favourably to our industry peers.

Building on these results, accomplished in a difficult year, we expect to achieve sustainable growth in the medium to long term through our proven successful diversification, which will enable us to produce increased value to our shareholders and stakeholders at large.

Waha Capital's investment interests are diversified and increasingly international, and should therefore be viewed in the global economic context.

In 2011, global economic growth slowed down with demand for goods and services suffering due to continued deleveraging in developed countries. This was evidenced in the Eurozone, which continues to struggle with a sovereign debt crisis. As a consequence, investment and exports have slowed even in the fastest growing developing countries. It is clear that major issues in the global economy will take time to resolve, but we expect the six countries of the GCC to perform better than their international peers.

For an investment company such as Waha Capital, such a scenario presents opportunities as well as challenges. I believe our prudent financial management means that we are now in a strong position, not only to weather volatility in international markets but also to seize attractive opportunities to build our business.

Our aim is to ensure our asset mix continually reflects the areas where we see resilience and potential growth, in order to maximise shareholder returns.

Against the challenging global backdrop, it was particularly pleasing to see our portfolio companies and our financial services business making substantial progress and producing healthy results in 2011.

Aircraft Leasing

AerCap Holdings N.V., in which Waha Capital owns a 21.3 percent stake as at 31 December 2011, achieved a robust performance in 2011, with basic lease revenue growing by over 10 percent from the previous year. The company signed 26 lease agreements and letters of intent, and negotiated a major agreement with American Airlines for the purchase and leaseback of 35 B737-800 aircraft, which is expected to provide the company with stable growth through 2014.

Offshore Oil and Gas Services

Although the oil services sector is still recovering from a slowdown in 2009-2010, with rates for support vessels still well below their 2007-2008 peak, we witnessed a pick-up in business and tendering activity towards the end of 2011. Waha Offshore Marine Services, one of Waha Capital's wholly-owned investments, deployed its vessels fully throughout the year.

Stanford Marine Group, in which Waha Capital owns a 49 percent stake, took delivery of six platform supply vessels in 2011, all of which are currently on medium- to long-term charters in the Middle East and Africa.

Waha Land

The first phase of ALMARKAZ, a high-quality industrial real estate project operated and wholly owned by Waha Land, is now nearing completion. The initial phase of the project comprises 90,000 m² of multi-purpose space aimed at providing light industrial businesses flexible and affordable warehousing and storage facilities with state-of-the-art infrastructure. The units will be delivered to end users and real estate investors during the first half of 2012.

Financial Investments

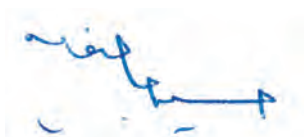
Dunia Finance, a consumer finance company in which Waha Capital owns a 25 percent stake, has made commendable progress since its creation in 2008, breaking even in 2011 ahead of schedule. The company, which operates 19 financial centres across the United Arab Emirates, doubled its revenues in 2011, due to a 50 percent increase in its customer base and its loan portfolio.

Financial Services

Waha Financial Services received mandates from a number of clients for arranging and financing assets and generated healthy fee income. The unit is focused on developing its presence within the financial services space, mainly by increasing capabilities and service offerings.

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 thank 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 sustained interest and valued commitment that has greatly contributed to the group's success.



Hussain J. Al Nowais

Chairman of the Board, Waha Capital PJSC

AL WAHA CAPITAL PJSC

Chief Executive Officer's Report

Dear Shareholders,

By delivering a solid net income for the company, Waha Capital's investment portfolio showed impressive resilience in 2011. It is evident that our strategy - based on diversification and building scale in areas of specific interest - is paying off in a challenging period for the global economy.

The reduction in net income in 2011 should be seen in the context of a record year in 2010, when a strong gain was booked for the transaction involving the restructuring of our leasing portfolio and the acquisition of a 20 percent stake in AerCap Holdings N.V.

In 2011, AerCap delivered a robust operating performance. However, two transactions - the termination of a service contract and the disposal of AeroTurbine - which we regard as positive moves in the long-run, resulted in the booking of one-off losses, and therefore impacted the 2011 net profit of Waha Capital. Furthermore, the divestment of AeroTurbine frees up capital to be deployed in higher margin assets, and the termination of the service contract will reduce operating expenses.

Following a period of deleveraging of our balance sheet, the management team is comfortable with the current gearing level of 38 percent. As we look to develop our business and make new investments, the company will benefit from the credit facility negotiated with 11 regional and international banks, and also has the option to activate a mandatory convertible note programme already approved by shareholders.

Operations and Financial Review

- The group recorded net income of AED 155 million in 2011, a decrease of 38 percent from AED 249 million in 2010.
- Total group operating income including revenues, income from investments in associates and other operating income was AED 406 million in 2011, down 38 percent from 2010. The restructuring of the leasing business and consolidation of investments in the aviation sector at the end of 2010 resulted in a drop in both operating revenues and operating expenses in 2011.
- Operating activities generated a cash flow of AED 213 million in 2011, compared to AED 184 million in 2010.
- The group's gearing stood at 38 percent as of 31 December 2011, up slightly from 37 percent a year earlier.
- Earnings per share on an adjusted basis were AED 0.08 in 2011, compared to AED 0.13 in 2010.

Summary of Operating Statistics:

(Amounts in AED thousands unless otherwise stated)

	2010	2011	Year on year growth
Total operating income ¹	657,451	406,440	(38%)
Profit for the year	249,089	155,313	(38%)
Total assets	3,800,549	4,232,413	11%
Gearing ²	37%	38%	
Return on equity ³	12.2%	7.1%	
Cash flows from operating activities	184,076 ⁴	212,691	16%
Earnings per share (AED) ⁵	0.13	0.08	(38%)

1. Total operating income includes income, share of profit/(loss) from equity-accounted investees and other operating income.
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.
4. Adjusted to exclude the effect of proceeds from disposal of loan investments as part of restructuring the leasing business.
5. Earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year adjusted for any bonus shares issued subsequently.

Waha Capital is actively looking to invest in selected sectors where we believe we have expertise, can add value and achieve attractive returns, while maintaining a prudent approach to financial management. We will continue to increase efficiency in the way we manage our assets, and 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 very much like to thank our Board of Directors and our employees for their dedication to building a successful international business. I would like also to thank our partners in the public and private sector and all our shareholders for their continuous support.

Salem Rashid Al Noaimi

Chief Executive Officer, Waha Capital PJSC

AL WAHA CAPITAL PJSC

Independent Auditors' Report

The shareholders
Al Waha Capital PJSC

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 2011, the consolidated statements of comprehensive income (comprising a consolidated income statement and a consolidated statement of other comprehensive income), changes in equity and cash flows for the year then ended, and notes comprising 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.

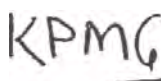
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Group's or its financial position.



KPMG

Sharad Bhandari

Registration No. 267

21 March 2012



AL WAHA CAPITAL PJSC

Consolidated statement of financial position

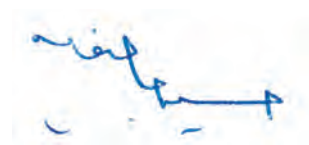
(All amounts in thousands of AED, unless otherwise stated)

	Note	As at 31 December 2011	As at 31 December 2010
Assets			
Investment property	8	551,942	274,260
Vessels	9	86,406	89,179
Investments in finance leases	10	37,959	41,996
Loan investments	11	362,825	491,203
Investments in equity-accounted investees	12	2,345,062	2,202,662
Investments available-for-sale	13	100,524	68,088
Project costs	14	30,274	8,033
Furniture and equipment		4,981	8,956
Inventories	15	22,481	67,307
Financial assets at fair value through profit or loss	16	194,475	75,991
Cash-encumbered	17	17,952	14,570
Trade and other receivables	18	193,503	189,650
Cash and cash equivalents	19	284,029	268,654
Total assets		4,232,413	3,800,549
EQUITY AND LIABILITIES			
Equity			
Share capital	20	1,897,088	1,732,500
Statutory reserve	21	105,050	89,519
Fair value reserve		398	1,091
Hedge reserve		-	3,027
Retained earnings		229,393	315,174
		2,231,929	2,141,311
Liabilities			
Borrowings	22	1,653,113	1,517,633
Trade and other payables	23	347,371	141,605
		2,000,484	1,659,238
Total equity and liabilities		4,232,413	3,800,549

The notes numbered 1 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 44 and 45.

These consolidated financial statements were authorised for issue by the board of directors on 21 March 2012 and signed on their behalf by:



Chairman



Chief Executive Officer

AL WAHA CAPITAL PJSC

Consolidated income statement

For the year ended 31 December

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

	Note	2011	2010
Operating income	24	292,923	558,791
Share of profit from equity-accounted investees	12	113,517	98,660
Operating costs	25	(124,315)	(257,673)
Administrative and other expenses	26	(125,376)	(149,879)
Operating profit		156,749	249,899
Other income/(loss)	27	(1,436)	(810)
Profit for the year		155,313	249,089
Basic and diluted earnings per share (AED)	28	0.08	0.13

The notes numbered 1 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 44 and 45.

Consolidated statement of comprehensive income

For the year ended 31 December

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

	2011	2010
Profit for the year	155,313	249,089
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	(693)	(241)
Effective portion of changes in fair value of cash flow hedges	(3,027)	3,027
Total comprehensive income for the year	151,593	251,875

The notes numbered 1 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 44 and 45.

AL WAHA CAPITAL PJSC

Consolidated statement of changes in equity

For the year ended 31 December 2011

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

	Note	Share capital	Statutory reserve	Hedge reserve	Fair value reserve	Retained earnings	Total
At 1 January 2010		1,575,000	64,610	-	1,332	296,869	1,937,811
Total comprehensive income		-	-	3,027	(241)	249,089	251,875
Directors fees						(9,000)	(9,000)
Transfer to statutory reserve	21	-	24,909	-	-	(24,909)	-
Transactions with the owners of the Company, recognized directly in equity							
Bonus shares issued	30	157,500	-	-	-	(157,500)	-
Dividend	30	-	-	-	-	(39,375)	(39,375)
At 31 December 2010		1,732,500	89,519	3,027	1,091	315,174	2,141,311
At 1 January 2011		1,732,500	89,519	3,027	1,091	315,174	2,141,311
Total comprehensive income		-	-	(3,027)	(693)	155,313	151,593
Directors fees						(9,000)	(9,000)
Transfer to statutory reserve	21	-	15,531	-	-	(15,531)	-
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)
At 31 December 2011		1,897,088	105,050	-	398	229,393	2,231,929

The notes numbered 1 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 44 and 45.

Consolidated statement of cash flows

For the year ended 31 December

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

	2011	2010
Cash flows from operating activities		
Profit for the year	155,313	249,089
<i>Adjustments for:</i>		
Depreciation	8,507	108,062
Fair value gain on investment property	-	(5,000)
Interest on borrowings	59,264	73,617
(Gain) / loss on derivatives	(2,067)	(50,118)
Interest on bank deposits	(184)	(606)
Interest income from loan investments	(22,419)	(34,608)
Interest income from investments in finance leases	(3,720)	(4,102)
Share of profit from equity-accounted investees	(113,517)	(98,660)
Impairment loss on operating lease assets	-	2,942
Directors' fees	(9,000)	(9,000)
Provision for doubtful loans and receivables	7,989	2,054
Amortization and write off of project costs	17,073	21,128
Write off on development work in progress	-	1,039
Loss on disposal of furniture and equipment	200	-
Loss on valuation of financial assets at fair value through profit or loss	1,552	1,662
Gain on disposal of investments in equity-accounted investees	-	(67,648)
Gain on disposal of loan investments	-	(20,056)
Payments received from loan investments	75,297	221,085
Payments received from investments in finance leases	7,757	7,757
Distribution from equity-accounted investees	5,805	5,689
Changes in working capital:		
Change in inventories	44,826	-
Change in trade and other receivables	(3,210)	(2,605)
Change in trade and other payables	(16,775)	(90,149)
Net cash generated from operating activities	212,691	311,572

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)

	2011	2010
Cash flows from investing activities		
Purchase of operating lease assets	-	(615,371)
Purchase of vessels	(1,895)	(33,012)
Investments in equity-accounted investees	(37,774)	(1,807,031)
Proceeds from disposal of operating lease assets	-	2,182,808
Proceeds from disposal of equity-accounted investees	-	853,296
Proceeds from sale / settlement / dividend received on financial assets at fair value through profit or loss	4,836	1,585
Loan provided	(6,500)	(10,856)
Purchase of investments available-for-sale	(33,070)	(2,604)
Amount paid for development work in progress	(172,604)	(92,410)
Purchase of other fixed assets	(622)	(7,459)
Proceeds from sale of furniture and equipment	558	-
Movement in cash-encumbered	(3,382)	82,126
Interest received on bank accounts	100	815
Net cash generated from investing activities	(250,353)	551,887
Cash flows from financing activities		
Project costs paid	(39,314)	(17,415)
Dividend paid	(51,975)	(39,375)
Interest paid on borrowings	(59,106)	(71,472)
Loans obtained	1,323,344	909,632
Loans repaid	(1,119,912)	(225,468)
Loans disposed	-	(1,475,973)
Net cash used in financing activities	53,037	(920,071)
Net increase / (decrease) in cash and cash equivalents	15,375	(56,612)
Cash and cash equivalents at 1 January	268,654	325,266
Cash and cash equivalents at 31 December	284,029	268,654

The notes numbered 1 to 34 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on pages 44 and 45.

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 2011 comprise 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). These consolidated financial statements are presented in UAE Dirhams (AED), being the currency of UAE. As the AED is pegged to the USD, no adjustment is required as a result of the presentation currency being different from the functional currency. All financial information presented is 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 note 3(h)).

(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).

(e) Changes in accounting policies

(i) IAS 24 Related Party disclosures

From 1 January 2011, the Group has applied the revised IAS 24, related party disclosures, which amends the definition of a related party and includes an exemption for government related entities.

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, except for the adoption of an amendment in a standard, as explained in note 2(e).

(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) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(vi) 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.

(vii) 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 each balance sheet date 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)*

(vii) 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.

(viii) 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.

Loan investments and receivables

Loan investments 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, loan investments and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loan investments 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 remeasured 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) Operating lease assets

Operating lease assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the operating lease assets.

Gains and losses on disposal of operating lease assets are determined by comparing the proceeds from disposal with the carrying amount of operating lease assets and are recognised within other operating income in the consolidated income statement.

The economic useful life, from the date of manufacture of these assets, is determined on the basis of industry standards of 25 years. The cost of these assets is depreciated from the date of acquisition on a straight-line basis over their remaining economic useful lives (which also represent the remaining leasing lives). Depreciation is recognised in the consolidated income statement.

Subsequent investments made by the Group in respect of existing assets are analysed and, where appropriate, capitalised and amortised over the useful remaining lease life of the asset. To the extent that there is investment during the life of the asset on major replacement parts, the net book value, if any, of the existing part as replaced is written off in the year of its replacement. The useful life and the residual value of the operating lease assets are reassessed annually.

(e) 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.

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) 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.

(g) 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.

(h) 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.

Loan investments and receivables

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

All individually significant loan investments and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loan investments and receivables that are not individually significant are collectively assessed for impairment by grouping together loan investments 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.

Notes to the consolidated financial statements *(continued)*

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

3 Significant accounting policies *(continued)*

(h) Impairment *(continued)*

(i) Non-derivative financial assets *(continued)*

Loan investments and receivables (continued)

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 loan investments 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 each balance sheet date 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.

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.

(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.

(i) Project costs

Project costs represent the initial direct expenses such as technical and financing fees incurred in connection with the acquisition or financing of assets and arrangement of credit facilities. The costs relating to successful projects are amortised over the lease or loan tenure, as applicable. In the period in which it is determined that a project has not been successful, an asset has been sold or credit facilities have been repaid / renegotiated, accumulated costs are immediately expensed.

(j) 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.

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)*

(k) 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.

(l) Operating income

(i) Transaction services fees

Transaction services fees represent income earned by the Group from arranging, structuring and managing the financing. These fees are recognised in the consolidated income statement as they accrue, based on services provided and reasonable certainty that the economic benefits associated with the transactions will flow to the Group. The amount of revenue arising on transactions or services is determined by the agreement between the Group and the client.

(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).

Notes to the consolidated financial statements *(continued)*

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

3 Significant accounting policies *(continued)*

(l) Operating income *(continued)*

(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 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.

(m) 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.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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) 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.

(p) 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 CEO 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 CEO 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.

(q) Government grants

A non monetary government grant is recognised when there is reasonable assurance that it will be received, future economic benefits associated with the asset will flow to the Group and the Group will comply with the conditions, if any, associated with the grant. Grants are measured at fair value and are recognised as other operating income in the consolidated income statement over the period in which the conditions attached to the grant are complied with.

The compliance with conditions attached is determined based on achievement of certain milestones. Such milestones are approved by the Company's board of directors.

(r) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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.

Notes to the consolidated financial statements *(continued)*

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

4 Determination of fair values *(continued)*

(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.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

(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, 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.

5 Financial risk management

(a) 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.

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)*

(b) 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.

(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.

Notes to the consolidated financial statements *(continued)*

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

5. Financial risk management *(continued)*

(b) Risk management framework *(continued)*

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 trade receivables, payables and borrowings 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 1,323,344 (2010: AED 1,103,400). Had the relevant interest rates been higher/lower by 100 basis points, the profit for year would have been lower/higher by AED13,233 (2010: AED 11,034). 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 386 (2010: AED 491).

(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).

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.

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)*

(b) Risk management framework *(continued)*

Operational risks *(continued)*

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:

	2011	2010
Borrowings	1,653,113	1,517,633
Less: Cash and cash equivalents	(284,029)	(268,654)
Net debt	1,369,084	1,248,979
Total equity	2,231,929	2,141,311
Gearing ratio as at 31 December	38%	37%

Notes to the consolidated financial statements *(continued)*

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

6 Consolidation

(a) Subsidiaries

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

Subsidiaries	Country of incorporation	Group's shareholding	
		2011	2010
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**	UAE	100 %	100 %
Al Waha Financial Investments LLC	UAE	100 %	100 %
Second Waha Lease Limited	Isle of Man	100 %	100 %
Third Waha Lease Limited	Isle of Man	100 %	100 %
Fourth Waha Lease Limited	Isle of Man	100 %	100 %
Fifth Waha Lease Limited	Isle of Man	100 %	100 %
Sixth Waha Lease Limited	Isle of Man	100 %	100 %
Seventh Waha Lease Limited	Isle of Man	100 %	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 %	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 %	100 %
Oasis International Leasing (USA) Inc.	United States of America	100 %	100 %
Ovenstone Limited *	Republic of Ireland	100 %	100 %
Prunalia Trading Limited *	Republic of Cyprus	100 %	100 %
Charlie Fifteenth Lease Limited *	Cayman Islands	100 %	100 %
November RJ Lease Limited	Cayman Islands	100 %	100 %
Oscar RJ Lease Limited	Cayman Islands	100 %	100 %
Victor Lease Limited	Cayman Islands	100 %	100 %
Clearjet Lease Limited *	Republic of Ireland	100 %	100 %

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

6 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Subsidiaries	Country of incorporation	Group's shareholding	
		2011	2010
Fastjet Lease Limited *	France	100 %	100 %
Henrik Lease Limited	Cayman Islands	100 %	100 %
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 %	100 %
Peninsula Investments Limited	Cayman Islands	100 %	100 %
OL SPV Limited *	Cayman Islands	100 %	100 %
Wahaflo Leasing 2 Limited	Republic of Cyprus	100 %	100 %
Waha Offshore Marine Services *	Cayman Islands	100 %	100 %
Waha AV Coöperatief U.A.	Netherlands	100 %	100 %
Waha AV Holdings B.V.*	Netherlands	100 %	100 %
Waha AV Participations BV *	Netherlands	100 %	100 %
Alpha Waha Mauritius 1 Limited	Mauritius	100 %	100 %
Alpha Waha Mauritius 2 Limited	Mauritius	100 %	100 %
Waha Aerospace Transaction Manager Limited	Cayman Islands	100 %	100 %
Waha Financial Services (Abu Dhabi)			
Limited	Cayman Islands	100 %	100 %
WFS Investment Management Company Limited*#	Cayman Islands	100 %	100 %
Waha I Limited *	Cayman Islands	100 %	100 %
Waha II Limited *	Cayman Islands	100 %	100 %
Waha Mermaid Limited *	Cayman Islands	100 %	100 %
Al Waha Ship Investment LLC *	UAE	100 %	100 %
Waha AC Coöperatief U.A.	Netherlands	100 %	100 %

* Indirectly held through subsidiaries

Formerly known as Waha Financial Services Derivatives Limited

** Formerly known as Al Waha Special Maritime Units LLC

Notes to the consolidated financial statements *(continued)*

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

6 Consolidation *(continued)*

(b) Investments in equity-accounted investees

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

Entity	Country of incorporation	Shareholding	
		2011	2010
(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 %
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 Holding NV	Netherlands	21.3%	20%
Siraj Finance PJSC	UAE	37.5%	-

During the year, the Group acquired a 37.5% interest in Siraj Finance PJSC; a Private Joint Stock Company registered in the UAE. Siraj Finance PJSC is licensed to offer Islamic consumer finance products to clients in the UAE. Subsequent to the year end, Siraj Finance PJSC has become a subsidiary of the Group.

7 Operating segments

The Group has 4 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 CEO reviews internal management reports on, at least, a monthly basis.

Leasing

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

Maritime

The maritime segment represents the Group's operations and investments in the maritime 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.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

7 Segment reporting *(continued)*

	Leasing		Real estate		Financial services
	2011	2010	2011	2010	2011
Operating income	36,301	351,676	-	5,000	231,056
Share of profit / (loss) from equity-accounted investees	113,320	204,296	-	-	5,824
Total operating income	149,621	555,972	-	5,000	236,880
Segment result	101,601	329,138	(6,274)	(3,355)	211,230

	Leasing		Real estate		Financial services
	2011	2010	2011	2010	2011
Segment assets	2,126,737	2,187,897	577,408	288,203	854,043
Investment in equity-accounted investees	1,943,625	1,836,808	-	-	166,091
Segments liabilities	72,261	158,736	100,481	517	374,181
Capital expenditure*	-	615,371	277,682	92,410	-
Depreciation	29	100,618	10	-	136
Amortisation of project costs	378	15,975	-	-	-

* Capital expenditure represents additions to operating lease assets, vessels and investment properties

	Maritime		Corporate		Consolidated	
2010	2011	2010	2011	2010	2011	2010
179,289	25,566	22,828	-	(2)	292,923	558,791
(112,838)	(5,627)	7,202	-	-	113,517	98,660
66,451	19,939	30,030	-	(2)	406,440	657,451
52,027	(12,331)	8,410	(138,913)	(137,131)	155,313	249,089

	Maritime		Corporate		Consolidated	
2010	2011	2010	2011	2010	2011	2010
678,376	343,384	352,828	330,841	293,245	4,232,413	3,800,549
124,880	235,346	240,974	-	-	2,345,062	2,202,662
247,627	56,310	60,456	1,397,251	1,191,902	2,000,484	1,659,238
-	1,895	30,012	622	-	280,199	737,793
-	4,722	3,889	3,610	3,555	8,507	108,062
-	462	64	16,211	5,089	17,051	21,128

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

8 Investment property

	2011	2010
At 1 January	274,260	177,889
Additions*	277,682	92,410
Fair value gain	-	5,000
Written off	-	(1,039)
At 31 December 2011	551,942	274,260

*includes borrowing cost of AED 8,646 (31 December 2010: AED 1,078)

Applying the accounting policy with respect to government grants (refer to note 3(q)) and investment properties, the Group has recognised a portion of the land granted in the consolidated financial statements. At 31 December 2011, the fair value of the unrecognised portion of the land granted is estimated at AED 551,968 (2010: AED 495,000).

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:

- **Direct Comparable method:** This method seeks to determine the value of the property by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions.
- **Residual method:** This method is used to assess the value of property with a development potential or under development where there is inadequate comparable evidence in the local market.

9 Vessels

	2011	2010
Cost		
At 1 January	94,582	61,570
Additions	1,895	33,012
At 31 December	96,477	94,582
Accumulated depreciation and impairment		
At 1 January	5,403	1,514
Depreciation for the year	4,668	3,889
At 31 December	10,071	5,403
Net book value		
At 31 December	86,406	89,179

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 7 years.

Investment in finance leases comprise:

	2011	2010
Minimum lease payments / gross investment	51,066	58,823
Unearned finance income	(13,107)	(16,827)
	37,959	41,996

Gross investment in finance leases:

	2011	2010
Within one year	7,757	7,757
Between one and five years	31,028	31,028
More than five years	12,281	20,038
	51,066	58,823

Present value of minimum lease payments:

	2011	2010
Within one year	4,425	4,006
Between one and five years	22,377	20,260
More than five years	11,157	17,730
	37,959	41,996

Movement in net investment during the year:

	2011	2010
At 1 January	41,996	45,651
Payments received	(4,037)	(3,655)
At 31 December	37,959	41,996

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 (2010: AED 58,848). The maturity profile of these loan investments is as follows:

Payments due:

	2011	2010
Within one year	83,186	95,551
Between one and five years	39,553	67,808
More than five years	240,086	327,844
	362,825	491,203

Loan investments amounting to AED 110,044 (2010: AED 208,175) are secured by aircraft portfolio, investments and properties held by the borrowers. The above loan investments carry interest rates ranging from 5% to 15% per annum (2010: 5% to 15% per annum). During the year, a provision of AED 7,989 (2010: AED Nil) was made against loan investments.

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

	2011	2010
Middle East and Asia Pacific	58,848	62,348
Other regions	303,977	428,855
	362,825	491,203

12 Investments in equity-accounted investees

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

	2011	2010
At 1 January	2,202,662	1,085,608
Additions	37,774	1,807,031
Disposals	-	(785,648)
Share of profit	113,517	98,660
Share of equity reserves	(3,086)	2,700
Distributions received	(5,805)	(5,689)
As at 31 December	2,345,062	2,202,662

Notes to the consolidated financial statements *(continued)*

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

12 Investments in equity-accounted investees *(continued)*

The Group's share of profit / (loss) in its equity-accounted investees for the year was AED 113,517 (2010: AED 98,660). Summary financial information in equity-accounted investees (not adjusted for the interest held by the Group) is as follows:

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Revenues	Expenses	Profit / (loss)
As at 2011	3,296,101	35,288,953	38,585,054	2,942,851	25,501,106	5,360,341	4,594,408	765,933
As at 2010	4,273,121	35,577,294	39,850,415	3,255,253	28,122,804	6,416,904	5,920,962	495,942

At the reporting date, equity-accounted investees had contingent liabilities of AED 264,407 (2010: AED 322,096) and capital commitments of AED 9,947,707 (2010: AED 6,050,907).

The fair value of publicly listed equity-accounted investees based on quoted market price is AED 1,239,369 (2010: 1,550,035)

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

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 (refer to note 29).

14 Project costs

	2011	2010
At 1 January	8,033	11,746
Project costs incurred	39,314	17,415
Amortisation and write off of project costs	(17,073)	(21,128)
At 31 December	30,274	8,033

15 Inventories

	2011	2010
Aircraft spare parts held for disposal	21,623	67,307
Spare parts and consumables	858	-
	22,481	67,307

Inventories include assets held for disposal of AED 21,623 (31 December 2010: 67,307), which were classified as operating lease assets in the previous year.

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.

	2011	2010
Derivative assets	183,389	68,803
Others investments*	11,086	7,188
	194,475	75,991

*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 105 (2010: AED 144).

The derivative assets held by the Group, have a notional value of AED 1,998,625 (2010: AED 2,103,816). The fair values have been derived by discounting the cash flows at relevant market rates.

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 *(continued)*

(a) Contractual maturities of derivative assets/liabilities based on net undiscounted cash flows

	2011	2010
Within one year	7,501	3,079
Between one year and five years	22,618	26,792
More than five years	10,496	15,667
	40,615	45,538

17 Cash-encumbered

	2011	2010
Minimum cash balances as per loan agreements	7,146	6,572
Amounts set aside for prior year dividends and rights issue re-funds	10,806	7,998
	17,952	14,570

18 Trade and other receivables

	2011	2010
Trade receivables	98,594	128,848
Prepayments and advances	28,052	4,456
Accrued interest	27,787	21,644
Other receivables (refer to note 29)	39,070	34,702
	193,503	189,650

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

	2011	2010
Middle East and Asia Pacific	6,017	5,085
Other regions	92,577	123,763
	98,594	128,848

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 *(continued)*

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 currently pegged to the US Dollar).

The ageing of trade receivables at the reporting date is:

	2011		2010	
	Gross	Allowance	Gross	Allowance
Not past due	97,152	-	128,031	-
61 days - 120 days	1,442	-	817	-
	98,594	-	128,848	-

The movement in provision for doubtful trade receivables is as follows:

	2011	2010
As at 1 January	-	38,366
Provision for doubtful receivables	-	2,054
Write off during the year	-	(40,420)
As at 31 December	-	-

19 Cash and cash equivalents

	2011	2010
Cash and bank	284,029	268,343
Investments in highly liquid institutional funds	-	311
	284,029	268,654

20 Share capital

	2011	2010
Authorised, issued and fully paid up capital:		
1,897,087,500 shares (2010: 1,732,500,000 shares) of AED 1 each (refer to note 30)	1,897,088	1,732,500

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.

Notes to the consolidated financial statements *(continued)*

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

22 Borrowings

	2011	2010
Secured loans	1,432,433	193,553
Unsecured loans	220,680	1,324,080
	1,653,113	1,517,633

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 either mortgaged or assigned to lenders, amounted to AED 2,499,757 (2010: AED 89,179).

The Group has borrowings with both fixed and floating interest rates. Loans bearing floating rates of interest are at market rates prevailing during the course of the loans. During the year, floating rate loans and fixed rate loans carried an effective rate of interest (including lenders margin) of 3.76% to 8% per annum (2010: 5.45% to 7.41% per annum).

	2011	2010
At 1 January	193,553	996,396
Loans borrowed	1,323,344	898,598
Loans repaid	(16,512)	(225,468)
Loans disposed	(67,952)	(1,475,973)
At 31 December	1,432,433	193,553

The following are the contractual maturities of secured loans including estimated interest payments:

	2011	2010
Within one year	70,486	25,258
Between one year and five years	1,491,055	93,657
More than five years	32,926	160,377
	1,594,467	279,292

Secured loans mature over a period of between one to ten years from the reporting date. As at the reporting date the Group had AED 534,046 (2010: AED Nil) of un-drawn banking facilities.

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

22 Borrowings *(continued)*

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 (including lenders margin) of these loans was in the range of 1.23% to 5% per annum (2010: 1.23% to 5.45% per annum).

As at the reporting date the Group had AED Nil (2010: AED 746,634) of un-drawn banking facilities.

	2011	2010
At 1 January	1,324,080	1,092,366
Loans borrowed	-	231,714
Loans repaid	(1,103,400)	-
At 31 December	220,680	1,324,080

The following are the contractual maturities of unsecured loans including estimated interest payments:

	2011	2010
Within one year	-	1,113,188
Between one year and five years	-	-
More than five years	220,680	220,680
	220,680	1,333,868

23 Trade and other payables

	2011	2010
Trade payables	1,033	1,633
Interest accrued on borrowings	16,557	7,753
Derivative liabilities (Refer note 16(a))	144,267	26,962
Lessee maintenance reserves and security deposits	-	1,600
Other payables and accruals	185,514	103,657
	347,371	141,605

The fair value of the derivative liabilities held by the Group have a notional value of AED 2,046,114 (2010: AED 2,138,628). 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(a) of these consolidated financial statements.

Notes to the consolidated financial statements *(continued)*

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

24 Operating income

	2011	2010
Operating leases	1,171	194,104
Interest income from finance leases	3,720	4,102
Charter income	25,049	22,828
Interest income from loan investments	22,419	34,608
Fair value gain on derivatives	2,067	50,118
Transaction services fees	206,599	107,608
Gain on disposal of operating lease assets and investments	-	87,704
Release of maintenance reserves and security deposits	-	26,955
Other operating income	31,898	30,764
	292,923	558,791

Transaction services fees represent fees generated from the arrangement and management of financing on behalf of clients. These fees include AED 116,929 (2010 AED: Nil) arising from managing financing proceeds.

25 Operating costs

	2011	2010
Interest on borrowings	59,264	73,617
Depreciation on operating lease assets and vessels	4,668	104,507
Project costs amortised/written off	17,051	22,191
Impairment on inventories and operating lease assets	1,402	2,942
Provision for doubtful loans and receivables	7,989	2,054
Asset management expenses	33,941	52,362
	124,315	257,673

26 Administrative and other expenses

	2011	2010
Staff costs (refer to note 29)	81,870	91,264
Legal and secretarial expenses	15,584	28,019
Travel expenses	1,301	3,088
Depreciation on furniture and equipment	3,839	3,555
Advertisement and marketing expenses	8,000	8,916
Other administrative expenses	14,782	15,037
	125,376	149,879

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

27 Other income / (loss)

	2011	2010
Interest on bank deposits	184	606
Gain / (loss) from fair value of financial assets at fair value through profit and loss	(1,889)	(1,662)
Others	269	246
	(1,436)	(810)

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 period.

	2011	2010
Profit attributable to ordinary equity holders	155,313	249,089
Ordinary shares (refer to note 20)	1,897,088	1,897,088
Basic and diluted earnings per share (AED)	0.08	0.13

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 January 2011	1,732,500	1,732,500
Effect of stock dividend during 2011	164,588	164,588
Weighted average number of ordinary shares at 31 December	1,897,088	1,897,088

29 Related parties transactions and balances

These represent transactions with 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). Such transactions 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

	2011	2010
Salary and benefits	23,683	27,189
Terminal benefits	517	459
	24,400	27,648

Notes to the consolidated financial statements *(continued)*

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

29 Related parties transactions and balances *(continued)*

Others

During the year, the Group has provided an additional loan of AED Nil (2010: AED 7,356) to equity-accounted investees. Interest accrued on loans to equity-accounted investees is AED 3,399 (2010: AED 6,255).

The Group has invested AED 33,070 (2010: AED 2,604) in a fund managed by a related party. Further, during the year, the Group received a dividend of AED 10,051 (2010: AED 6,278) from this fund.

Other receivables include balances due from equity-accounted investees of AED 86,000 (2010: AED 85,754).

30 Dividend

During 2011, the shareholders approved a cash dividend of AED 51,975 and stock dividend of AED 164,588 (2010: cash dividend of AED 39,375 and stock dividend of AED 157,500).

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. The Group believes that no material liability will arise from such obligations.

At the reporting date, the Group has investment commitments amounting to AED 48,469 (2010: AED 129,575) and capital commitments of AED 233,062 (2010: AED 380,798).

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 use inputs which have a significant impact on the recorded fair value are unobservable market data

AL WAHA CAPITAL PJSC

Notes to the consolidated financial statements *(continued)*

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

32 Fair values *(continued)*

(a) Fair value hierarchy *(continued)*

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

	31 Dec 2011	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)	

As at 31 December 2010, the Group held the following financial instruments at fair value:

	31 Dec 2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Investment in equity securities	7,188	7,188		
Derivative assets	68,803		68,803	
Investments available-for-sale	68,088			68,088
Derivative liabilities	(26,962)		(26,962)	

(b) Fair values of financial assets and liabilities

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

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loan investments	362,825	362,780	491,203	506,535
Investments available-for-sale	100,524	100,524	68,088	68,088
Financial assets at fair value through profit or loss	194,475	194,475	75,991	75,991
Cash encumbered	17,952	17,952	14,570	14,570
Trade and other receivables	193,503	193,503	189,650	189,650
Cash and cash equivalents	284,029	284,029	268,654	268,654
Financial liabilities				
Borrowings	1,653,113	1,655,510	1,517,633	1,512,663
Trade and other payables	347,371	347,371	141,605	141,605

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 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	-	362,825	362,825
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	2,586,391	3,149,732

	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

34 Comparative information

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements.

Waha Capital PJSC

P.O. Box 28922

Abu Dhabi, UAE

Tel: +9712 667 7343 | Fax: +9712 667 7383

www.wahacapital.ae



الواحة كابيتال
Waha Capital