

AL WAHA CAPITAL P.J.S.C.



الواحة كابيتال
Waha Capital

**Reports and Consolidated financial statements
for the year ended 31 December 2010**

AL WAHA CAPITAL P.J.S.C

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Company Information

Board of Directors

| | |
|----------------------|---|
| Chairman | H.E. Hussain Al Nowais |
| Vice chairman | H.E. Saif Al Hajeri |
| Directors | Mr. Abubaker Khouri Mr. Carlos Obeid Mr. Fahad Saeed Al Raqbani Mr. Khaled Al Mass Mr. Mansour 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

Chairman's Report

Dear Shareholders,

On behalf of myself and the board of directors, I am pleased to present to you the financial results of Waha Capital for the fiscal year 2010 and highlights of recent and future developments within the group.

This year, particularly the first half, witnessed continued effects of the economic downturn which affected many economic sectors both at the domestic and global levels. Despite these challenges, Waha continued to post a strong performance and recorded a profit after tax of AED 249 million, compared to AED 217 million in 2009. Return on equity also increased to 12.2% from 11.6% in 2009. This demonstrates the group's solid foundation and the strength of our diversification and sustainable business strategy outlined for each operating unit.

Building on these results, achieved even in a difficult year, we expect to continue along a very strong growth pattern in the forthcoming period that will be reflected in increased value, not only to our shareholders but also to the local and regional economy.

Over the past years we have announced several investment initiatives in line with our group strategy. The investments also reflected Waha's strong commitment to improve its performance by adopting innovative investment and financial programmes, while adding new revenue streams. Following are certain key initiatives undertaken by Waha during the year:

1. Acquiring 20% interest in AerCap Holdings NV

In November 2010, Waha Capital completed an acquisition of 20% interest in AerCap Holdings N.V., a leading Dutch based New York Stock Exchange-listed aviation company for a total consideration of approximately USD 380 million. The transaction entailed acquisition of approximately 29.8 million shares in AerCap and transfer of Waha's 50% interest in AerVenture and a 40% interest in Waha's aircraft portfolio. Under the terms of the agreements, Waha is also entitled to nominate two directors to the Board of AerCap. AerCap will provide all management services for Waha's aircraft portfolio in return for servicing fees.

Through this transaction, Waha has reinforced its existing partnership with AerCap and consolidated its investments in the aviation sector through a leading global player. In addition, Waha diversified its current aviation exposure by investing in a larger and more modern aircraft fleet while benefiting from AerCap's world-class expertise. This transaction represented another tangible step in the execution of our vision of building value through strategic partnerships. We are confident that this partnership will be a successful one and that Waha will strengthen AerCap's presence in the MENA region's rapidly expanding aviation market.

As a consequence of this transaction, Waha capital has strengthened significantly its balance sheet by swapping illiquid assets with publicly listed shares in a major aviation company with a diversified fleet of aircraft.

2. Waha Maritime

Waha Maritime has contributed to the strong performance of the group during the year mainly by improving its fleet of support vessels by adding one additional vessel during the year and through its 49% ownership in GMMOS group, a major regional oil and gas services and industrial group operating in the Gulf and Caspian markets. Further, Al Waha Marine Agency, a subsidiary of Waha Maritime, received the ISO 9001:2008 compliance certification from Lloyd's Register following the successful

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completion of the final audits for the quality management system. This company also received the ISO 14001: 2004 'Statement of Commitment' certification for its commitment to implement an environmental management system. The ISO 9001 and the ISO 14001 'Statement of Commitment' certifications are in line with Waha Maritime's objective of building businesses that can bring long-term benefits and value to the maritime industry while delivering quality services to its clients.

3. Waha Land


Waha Land, the real estate arm of Waha Capital, continued construction on Phase 1 of its mixed-use industrial development ALMARKAZ. The company also confirmed the appointment of national companies as the contractors for building 90,000 square metres of light industrial buildings and for construction of the infrastructure works in the initial phase of the project. The first group of industrial units is planned to be handed over by the end of the second quarter of 2011 along with the sectional completion of infrastructure works.

4. Waha Financial Services

Waha Financial Services was mandated by the U.A.E. Armed Forces to arrange and manage the purchase of several military aircraft valued at approximately AED 11 billion. The first phase of the deal was concluded in December 2009, and included the purchase of nine military aircraft on behalf of the U.A.E. Armed Forces in a deal valued at approximately AED 6.7 billion. Waha financial services continued to execute other phases of this deal during the year. Further, Waha financial services received mandates from a number of clients for arranging and financing assets and generated healthy fee income. We are focused on developing our presence within the financial services space mainly by increasing our capabilities and service offerings.

Finally, I would like to thank the 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 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 Al Nowais
Chairman

Chief Executive Officer's Report

Dear Shareholders,

During 2010, we have succeeded in positioning our businesses, in spite of another challenging economic environment both in UAE and globally, to achieve continuous growth and sustainable profitability. This was a reflection of our diversification strategy, which has been designed and implemented to generate the highest possible risk adjusted return on investment to our shareholders.

I am pleased to report that 2010 was another record year where Waha continued its growth path and improved its operational and financial performance. This is proof of the strength of our strategy in leveraging Waha's capabilities to enhance shareholders return. I present below the financial and operational highlights of the year.

The rise in net profits was driven mainly by the restructuring of Waha's aircraft leasing business through which Waha acquired a 20% stake in the world's leading independent aircraft leasing company, Aercap, in a deal that saw Waha sell its 50% stake in AerVenture (jointly owned by Waha and Aercap) as well as a 40% of Waha's leasing portfolio. This transaction has propelled Waha on its diversification strategy and has strengthened significantly our balance sheet by reducing our gearing and improving the quality of our assets as well as our future earnings.

Operations and Financial Review

- The group profit increased by 15% in 2010 to AED 249 million compared to AED 217 million in 2009 as a result of the following.
- Total group operating income including revenues, income from investments in associates and other operating income was AED 657 million during the year, down by 22% as compared to 2009 primarily due to the restructuring of leasing business and consolidation of investments in aviation sector during the year.
- Group operating costs including administrative and other expenses decreased by 37% to AED 408 million from AED 634 million in 2009 mainly due to one off impairment provision on operating lease assets during 2009.
- Cash flows from operating activities decreased to AED 201 million as compared to AED 430 million in 2009 primarily due to higher cash flows from finance lease assets in 2009.
- The group's gearing reduced to 36% as compared to 48% in 2009 primarily due to the restructuring of leasing business during the year.
- Earnings per share on an adjusted basis was AED 0.14 in 2010 as compared to AED 0.13 in 2009.

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Three year summary operating statistics is as follows:

(Amounts in AED thousands unless otherwise stated)

| | 2008 | 2009 | Year on year growth | 2010 | Year on year growth |
|--|-----------|-----------|---------------------|-----------|---------------------|
| Total operating income ¹ | 494,567 | 846,181 | 71% | 657,451 | (22%) |
| Operating costs plus administrative & other expenses | (447,774) | (634,341) | 42% | (407,552) | (36%) |
| Profit for the year | 40,025 | 216,784 | 442% | 249,089 | 15% |
| Total assets | 4,718,309 | 4,253,604 | (9.8%) | 3,800,549 | (11%) |
| Gearing ² | 58% | 48% | | 37% | |
| Return on equity ³ | 2.2% | 11.6% | | 12.2% | |
| Cash flows from operating activities | 27,481 | 430,289 | 1,477% | 200,725 | (53%) |
| Earnings per share (AED) ⁴ | 0.03 | 0.13 | 333% | 0.14 | 8% |

1. Total operating revenue includes revenue, 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. 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.

As our results have proven, despite the economic downturn, we continue to see strong investment opportunities with high profitability and lower risk, particularly in the UAE markets, where we are considering a number of investment opportunities across various sectors. Furthermore, we are constantly monitoring global and local market indicators to assist us in evaluating and selecting strong investment opportunities. In the near term, we will continue to identify additional opportunities, conduct appropriate research and choose the right timing to invest.

The results and developments at Waha in 2010 were possible due to the dedication and strong support and guidance of our board of directors and our employees who have exerted all possible effort and energy to overcoming challenges and achieving great results.

On this occasion, please allow me to thank the board whose leadership and vision have contributed greatly to achieving the previous year's results. I would like also to thank our partners in the public and private sector and all our shareholders for their support. Finally, I would like to thank the management team of Waha for their efforts and dedication.

Salem Rashid Al Noaimi
Chief Executive Officer



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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, its interest in jointly control entities and associates (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement and the consolidated statement of 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 2010, and of 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 2010, 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

28 February 2011

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Consolidated income statement

For the year ended 31 December

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

| | Note | 2010 | 2009 |
|---|------|----------------|----------------|
| Revenue | 7 | 426,145 | 517,925 |
| Share of profit from equity accounted investees | 20 | 98,660 | 61,674 |
| Other operating income | 8 | 132,646 | 266,582 |
| Operating costs | 9 | (257,673) | (512,251) |
| Administrative and other expenses | 10 | (149,879) | (122,090) |
| Operating profit | | 249,899 | 211,840 |
| Other income/(loss) | 11 | (810) | 12,921 |
| Profit before tax | | 249,089 | 224,761 |
| Income tax | 12 | - | (7,977) |
| Profit for the year | | 249,089 | 216,784 |
| Basic and diluted earnings per share (AED) | 13 | 0.14 | 0.13 |

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of comprehensive income

For the year ended 31 December

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

| | <u>2010</u> | <u>2009</u> |
|--|-----------------------|-----------------------|
| Profit for the year | 249,089 | 216,784 |
| Other comprehensive income | | |
| Net change in fair value of available-for-sale financial assets | (241) | 4,907 |
| Effective portion of changes in fair value of cash flow hedges | 3,027 | - |
| Directors' fees | <u>(9,000)</u> | <u>(3,000)</u> |
| Total comprehensive income for the year | <u>242,875</u> | <u>218,691</u> |

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of financial position

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

| | Note | As at 31 December 2010 | As at 31 December 2009 |
|---|------|------------------------------|------------------------------|
| Assets | | | |
| Investment property | 15 | 274,260 | 177,889 |
| Operating lease assets | 16 | 67,307 | 1,762,688 |
| Vessels | 17 | 89,179 | 60,056 |
| Investments in finance leases | 18 | 41,996 | 45,651 |
| Loan investments | 19 | 491,203 | 430,942 |
| Investments in equity accounted investees | 20 | 2,202,662 | 1,085,608 |
| Investments available-for-sale | 21 | 68,088 | 65,398 |
| Project costs | 22 | 8,033 | 11,746 |
| Furniture and equipment | | 8,956 | 5,052 |
| Financial assets at fair value through profit or loss | 23 | 75,991 | 122,068 |
| Cash-encumbered | 24 | 14,570 | 96,696 |
| Trade and other receivables | 25 | 189,650 | 64,544 |
| Cash and cash equivalents | 26 | 268,654 | 325,266 |
| Total assets | | 3,800,549 | 4,253,604 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 27 | 1,732,500 | 1,575,000 |
| Statutory reserve | 28 | 89,519 | 64,610 |
| Available-for-sale equity reserve | | 1,091 | 1,332 |
| Hedge reserve | | 3,027 | - |
| Retained earnings | | 315,174 | 296,869 |
| | | 2,141,311 | 1,937,811 |
| Liabilities | | | |
| Borrowings | 29 | 1,517,633 | 2,088,762 |
| Trade and other payables | 30 | 141,605 | 227,031 |
| | | 1,659,238 | 2,315,793 |
| Total equity and liabilities | | 3,800,549 | 4,253,604 |

These consolidated financial statements were authorised for issue by the board of directors on 28 February 2011 and signed on their behalf by:



Chairman



Chief Executive Officer

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of changes in equity

For the year ended 31 December 2010

(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 2009 | | 1,575,000 | 42,932 | - | (3,575) | 183,513 | 1,797,870 |
| Total comprehensive income | | - | - | - | 4,907 | 213,784 | 218,691 |
| Transfer to statutory reserve | 28 | - | 21,678 | - | - | (21,678) | - |
| Transactions with the owners of the Company, recognized directly in equity | | | | | | | |
| Dividend | 11 | - | - | - | - | (78,750) | (78,750) |
| At 31 December 2009 | | 1,575,000 | 64,610 | - | 1,332 | 296,869 | 1,937,811 |
| At 1 January 2010 | | 1,575,000 | 64,610 | - | 1,332 | 296,869 | 1,937,811 |
| Total comprehensive income | | - | - | 3,027 | (241) | 240,089 | 242,875 |
| Transfer to statutory reserve | 28 | - | 24,909 | - | - | (24,909) | - |
| Transactions with the owners of the Company, recognized directly in equity | | | | | | | |
| Bonus shares issued | 11 | 157,500 | - | - | - | (157,500) | - |
| Dividend | 11 | - | - | - | - | (39,375) | (39,375) |
| At 31 December 2010 | | 1,732,500 | 89,519 | 3,027 | 1,091 | 315,174 | 2,141,311 |

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

AL WAHA CAPITAL P.J.S.C

Consolidated statement of cash flows

For the year ended 31 December

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

| | 2010 | 2009 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Profit for the year | 249,089 | 216,784 |
| <i>Adjustments for:</i> | | |
| Depreciation | 108,062 | 147,086 |
| Fair value gain on investment property | (5,000) | (160,000) |
| Interest on borrowings | 73,617 | 120,157 |
| Net gain on derivative financial instruments | (50,118) | (111,633) |
| Interest on bank deposits | (606) | (5,650) |
| Interest income from loan investments | (34,608) | (31,243) |
| Interest income from investments in finance leases | (4,102) | (69,427) |
| Share of profit from investments in equity accounted investees | (98,660) | (61,674) |
| Impairment loss on operating lease assets | 2,942 | 127,258 |
| Directors' fees | (9,000) | (3,000) |
| Provision for doubtful receivables | 2,054 | 32,596 |
| Amortization and write off of project costs | 21,128 | 11,290 |
| Development work in progress written off | 1,039 | 6,399 |
| Reversal of deferred tax asset | - | 4,499 |
| Gain on disposal of operating lease assets | - | (68,753) |
| Loss / (gain) on valuation of financial assets at fair value through profit or loss | 1,662 | (6,343) |
| Gain on disposal of investments in equity accounted investees | (67,648) | - |
| Gain on disposal of loan investments | (20,056) | - |
| Payments received from loan investments | 221,085 | 62,933 |
| Payments received from investment in finance leases | 7,757 | 194,944 |
| Distribution from equity accounted investees | 5,689 | 4,014 |
| Interest paid on borrowings | (71,472) | (125,894) |
| Changes in working capital: | | |
| Change in trade and other receivables | (2,605) | 197,028 |
| Change in trade and other payables | (129,524) | (51,082) |
| Net cash generated from operating activities | 200,725 | 430,289 |

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Consolidated statement of cash flows (continued)

For the year ended 31 December

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

| | 2010 | 2009 |
|---|------------------|------------------|
| Cash flows from investing activities | | |
| Purchase of operating lease assets | (615,371) | (2,575) |
| Purchase of vessels | (33,012) | (61,570) |
| Proceeds from disposal of investments in finance leases | - | 851,991 |
| Investments in equity accounted investees | (1,807,031) | (555,643) |
| Proceeds from disposal of operating lease assets | 2,182,808 | 339,708 |
| Proceeds from disposal of equity accounted investees | 853,296 | - |
| Proceeds from disposal of financial assets at fair value through profit or loss | 1,585 | 11,976 |
| Loan investments | (10,856) | (237,996) |
| Purchase of investments available-for-sale | (2,604) | (26,692) |
| Amount paid for development work in progress | (92,410) | (17,563) |
| Project costs incurred | (17,415) | (2,501) |
| Purchase of other fixed assets | (7,459) | (946) |
| Movement in cash-encumbered | 82,126 | (9,403) |
| Interest received | 815 | 5,974 |
| Net cash generated from investing activities | 534,472 | 294,760 |
| Cash flows from financing activities | | |
| Loans obtained | 909,632 | 437,682 |
| Loans repaid | (225,468) | (1,064,259) |
| Loans disposed | (1,475,973) | - |
| Net cash used in financing activities | (791,809) | (626,577) |
| Net decrease in cash and cash equivalents | (56,612) | 98,472 |
| Cash and cash equivalents at 1 January | 325,266 | 226,794 |
| Cash and cash equivalents at 31 December | 268,654 | 325,266 |

The notes numbered 1 to 37 form an integral part of the consolidated financial statement

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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) was incorporated on 12 July 1997 as 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.

These consolidated financial statements as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (collectively referred to as the Group) and the Group's interest in associates and jointly controlled entities.

The Group is engaged in big-ticket asset leasing, investments and operations in maritime sector, 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 (IFRSs).

(b) Basis of measurement

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

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

(c) Functional currency and presentation currency

The functional currency of the Company is US Dollars. These consolidated financial statements are presented in UAE Dirham (AED), being the currency of UAE. 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 IFRSs 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 periods affected.

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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 15.

(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) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has no material impact on earnings per share.

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.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, 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.

Notes to the consolidated financial statements (continued)

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

2 Basis of preparation (continued)

(e) Changes in accounting policies (continued)

(i) Accounting for business combinations (continued)

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised in 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 remeasured 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

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, 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 are based on a proportionate amount of the net assets of the subsidiary. Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

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 as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e)(i) for further details.

(ii) 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.

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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)

(iii) Special purpose entities

The Group establishes special purpose entities (SPEs) for investment purposes. The Group does not have any 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.

(iv) 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.

(v) Loss of control

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

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

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

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

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

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements (continued)

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

3 Significant accounting policies (continued)

(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.

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (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.

AL WAHA CAPITAL P.J.S.C.

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)

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.

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 cash encumbered, cash and cash equivalents, 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 and maintenance reserves received from lessees, 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, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investment in a fund.

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)

(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.

(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 instruments such as options and 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:

AL WAHA CAPITAL P.J.S.C.

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)

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.

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.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

3 Significant accounting policies (continued)

(e) Vessels (continued)

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.

(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.

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.

AL WAHA CAPITAL P.J.S.C.

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

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.

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.

(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. The costs relating to successful projects are amortised over the lease or loan tenure, as applicable. In the period in which it is recognised that a project has not been successful or the asset is sold, 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.

(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.

Notes to the consolidated financial statements (continued)

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

3 Significant accounting policies (continued)

(k) Provisions (continued)

(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) Revenue

(i) 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.

(ii) 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).

(iii) 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.

(iv) Transaction services fees

Transaction services fees represent income earned by the Group from arranging and structuring transactions. These fees are recognised in the consolidated income statement as they accrue, based on services provided.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

3 Significant accounting policies (continued)

(v) 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.

(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.

(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.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

3 Significant accounting policies (continued)

(p) Segment reporting

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 2010, 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.

(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.

Notes to the consolidated financial statements (continued)

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

(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

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

Notes to the consolidated financial statements (continued)

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

Risk management framework (continued)

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 not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by way of cash reserves and committed credit lines to meet its operational and financial service obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risks

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

(i) Currency risk

The Group may be exposed to currency risk on 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.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

Risk management framework (continued)

Market risks (continued)

(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 1,103,400 (2009: AED 886,308). Had the relevant interest rates been higher/lower by 100 basis points, the profit for year would have been lower/higher by AED11,034 (2009: AED 8,863). 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 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.

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:

| | 2010 | 2009 |
|---------------------------------|-----------|-----------|
| Borrowings | 1,517,633 | 2,088,762 |
| Less: Cash and cash equivalents | (268,654) | (325,266) |
| Net debt | 1,248,979 | 1,763,496 |
| | | |
| Total equity | 2,141,311 | 1,937,811 |
| | | |
| Gearing ratio as at 31 December | 37% | 48% |

AL WAHA CAPITAL P.J.S.C.

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 | Shareholding | |
|---|--------------------------|--------------|-------|
| | | 2010 | 2009 |
| Waha Leasing PJSC | UAE | 100 % | 100 % |
| Al Waha Land LLC | UAE | 100 % | 100 % |
| Al Waha Maritime LLC | UAE | 100 % | 100 % |
| Al Waha Special Maritime Units 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 % |
| Fourteenth Waha Lease Limited | Isle of Man | - | 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 % |
| Waha Lease (Labuan) Limited * | Malaysia | - | 100 % |
| Sixteenth Waha Lease (Labuan) Limited * | Malaysia | - | 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 P.J.S.C.

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 | Shareholding | |
|---|--------------------------|--------------|-------|
| | | 2010 | 2009 |
| Fastjet Lease Limited * | France | 100 % | 100 % |
| Alpha Fifteenth Waha Lease Limited | Isle of Man | - | 100 % |
| Bravo Fifteenth Waha Lease Limited | Isle of Man | - | 100 % |
| Henrik Lease Limited | Cayman Islands | 100 % | 100 % |
| Tamarind Lease Limited | Cayman Islands | 100 % | 100 % |
| Al Waha Lease (Ireland) Limited | Republic of Ireland | - | 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 % |
| Wahafлот Leasing 963 (Bermuda) Limited | Bermuda | - | 100 % |
| Wahafлот Leasing 1 Limited * | Republic of Cyprus | - | 100 % |
| Wahafлот 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 Financial Services (Abu Dhabi) Limited | Cayman Islands | 100 % | 100 % |
| Waha Financial Services Derivatives Limited * | Cayman Islands | 100 % | 100 % |
| Waha I Limited * | Cayman Islands | 100 % | - |
| Waha II Limited * | Cayman Islands | 100 % | - |
| Waha Mermaid Limited * | Cayman Islands | 100 % | - |
| Al Waha Ship Investment LLC * | UAE | 100 % | - |
| Waha AC Coöperatief U.A. | Netherlands | 100 % | - |

* Indirectly held through subsidiaries.

AL WAHA CAPITAL P.J.S.C.

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 | |
|--|--------------------------|--------------|--------|
| | | 2010 | 2009 |
| (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 % |
| WFS (Cayman) Limited | Cayman Islands | - | 60 % |
| AerVenture Limited* | Republic of Ireland | - | 50 % |
| Mena Holdings Limited | Cayman Islands | 33.3% | 33.3% |
| Aerlift Leasing Limited ** | Isle of Man | 60% | - |
| (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 | 20% | - |

* During the year, the Group disposed of its interest in AerVenture Limited to AerCap Holding NV (AerCap) for a consideration of US Dollars 232 million.

**During the year, the Group incorporated Aerlift Leasing Limited and transferred its interest in certain subsidiaries and operating lease assets with associated debt to this new company. Subsequently, the Group disposed of 40% interest in the new company to AerCap at carrying values.

***During the year, the Group acquired a 20% interest in, NYSE listed, AerCap Holding NV an integrated global aviation company with a leading market position in aircraft and engine leasing, trading and parts sales for a consideration of US Dollars 388 million.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

7 Revenue

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|----------------|----------------|
| Operating leases | 194,104 | 265,927 |
| Interest income from finance leases | 4,102 | 69,427 |
| Charter income | 22,828 | 3,034 |
| Interest income from loan investments | 34,608 | 31,243 |
| Fair value gain on derivatives | 55,042 | 111,633 |
| Transaction services fees | 107,608 | 36,661 |
| Others | 7,853 | - |
| | <u>426,145</u> | <u>517,925</u> |

8 Other operating income

| | <u>2010</u> | <u>2009</u> |
|--|----------------|----------------|
| Gain on disposal of operating lease assets and investments | 87,704 | 68,753 |
| Government grant | - | 160,000 |
| Release of maintenance reserves and security deposits | 26,955 | 30,290 |
| Others | 17,987 | 7,539 |
| | <u>132,646</u> | <u>266,582</u> |

9 Operating costs

| | <u>2010</u> | <u>2009</u> |
|--|----------------|----------------|
| Interest on borrowings | 73,617 | 120,157 |
| Depreciation on operating lease assets and vessels | 104,507 | 143,714 |
| Project costs amortised/written off | 22,191 | 15,552 |
| Impairment on operating lease assets | 2,942 | 127,258 |
| Provision for doubtful receivables | 2,054 | 32,596 |
| Asset management expenses | 52,362 | 72,974 |
| | <u>257,673</u> | <u>512,251</u> |

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

10 Administrative and other expenses

| | 2010 | 2009 |
|---|----------------|----------------|
| Staff costs (refer to note 32) | 91,264 | 75,185 |
| Legal and secretarial expenses | 28,019 | 17,525 |
| Travel expenses | 3,088 | 2,303 |
| Depreciation on furniture and equipment | 3,555 | 3,372 |
| Advertisement and marketing expenses | 8,916 | 10,236 |
| Other administrative expenses | 15,037 | 13,469 |
| | <u>149,879</u> | <u>122,090</u> |

11 Other income / (loss)

| | 2010 | 2009 |
|---|--------------|---------------|
| Interest on bank deposits | 606 | 5,650 |
| Gain / (loss) from fair value of financial assets at fair value through profit and loss | (1,662) | 6,343 |
| Others | 246 | 928 |
| | <u>(810)</u> | <u>12,921</u> |

12 Income tax

Deferred tax asset

| | |
|------------------------------------|----------|
| Balance at 1 January 2009 | 4,499 |
| Movement during the year | (4,499) |
| Balance at 31 December 2009 | - |
| Movement during the year | - |
| Balance at 31 December 2010 | <u>-</u> |

During the year, the Group incurred and paid current tax expense of AED Nil (2009: AED 3,478).

Taxation relates to certain Subsidiaries which are subject to taxation on their profit. In view of the number of tax jurisdictions the Group operates in, providing information on effective tax rates is not considered appropriate or meaningful.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

13 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.

| | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|
| Profit attributable to ordinary equity holders | <u>249,089</u> | <u>216,784</u> |
| Ordinary shares (refer to note 27) | <u>1,732,500</u> | <u>1,732,500</u> |
| Basic and diluted earnings per share (AED) | <u>0.14</u> | <u>0.13</u> |

Weighted average number of ordinary shares

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| Issued ordinary shares at 1 January | <u>1,575,000</u> | <u>1,575,000</u> |
| Effect of stock dividend during 2010 | <u>157,500</u> | <u>157,500</u> |
| Weighted average number of ordinary shares at 31 December | <u>1,732,500</u> | <u>1,732,500</u> |

14 Segment reporting

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 operation in owning, leasing, selling and investing activities relating to fixed and movable assets.

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 the financial services and investments in various financial entities.

Real estate

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

AL WAHA CAPITAL P.J.S.C.

Notes to the condensed consolidated interim financial statements (continued)

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

14 Segment reporting (continued)

| | Leasing | | Real estate | | Financial services | | Maritime | | Corporate | | Eliminations | | Consolidated | |
|--|----------------|----------------|----------------|----------------|--------------------|---------------|---------------|---------------|------------------|----------------|--------------|------------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenue | 230,305 | 360,371 | - | - | 173,012 | 150,090 | 22,828 | 3,034 | - | 4,430 | - | - | 426,145 | 517,925 |
| Share of (loss) / profits from investments in equity accounted investees | 204,296 | 163,989 | - | - | (112,838) | (123,124) | 7,202 | 20,809 | - | - | - | - | 98,660 | 61,674 |
| Other operating income | 121,371 | 106,582 | 5,000 | 160,000 | 6,277 | - | - | - | (2) | 236,701 | - | (236,701) | 132,646 | 266,582 |
| Total operating income | 555,972 | 630,942 | 5,000 | 160,000 | 66,451 | 26,966 | 30,030 | 23,843 | (2) | 241,131 | - | (236,701) | 657,451 | 846,181 |
| Segment result | 329,138 | 144,421 | (3,355) | 144,112 | 52,027 | 15,700 | 8,410 | 17,840 | (137,131) | 131,412 | - | (236,701) | 249,089 | 216,784 |

AL WAHA CAPITAL P.J.S.C.

Notes to the condensed consolidated interim financial statements (continued)

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

14 Segment reporting (continued)

| | Leasing | | Real estate | | Financial services | | Maritime | | Corporate | | Consolidated | |
|--|-----------|-----------|-------------|---------|--------------------|---------|----------|---------|-----------|-----------|--------------|-----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Segment assets | 2,187,897 | 2,941,056 | 288,203 | 178,941 | 678,376 | 397,266 | 352,828 | 295,764 | 293,245 | 440,577 | 3,800,549 | 4,253,604 |
| Investment in equity accounted investees | 1,836,808 | 611,091 | - | - | 124,880 | 240,746 | 240,974 | 233,771 | - | - | 2,202,662 | 1,085,608 |
| Segments liabilities | 158,736 | 1,157,319 | 517 | 6,874 | 247,627 | - | 60,456 | 114 | 1,191,902 | 1,151,486 | 1,659,238 | 2,315,793 |
| Capital expenditure* | 615,371 | 2,575 | 92,410 | 17,563 | - | - | 30,012 | 61,570 | - | - | - | 81,708 |
| Depreciation | 100,618 | 142,200 | - | - | - | - | 3,889 | 1,514 | 3,555 | 3,372 | 108,062 | 145,572 |
| Amortisation of project costs | 15,975 | 10,800 | - | - | - | - | 64 | - | 5,089 | 3,818 | 21,128 | 14,618 |

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

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

15 Investment property

| | Land | Development work in progress | Total |
|----------------------------|----------------|---------------------------------|----------------|
| At 1 January 2009 | - | 6,725 | 6,725 |
| Additions | 160,000 | 17,563 | 177,563 |
| Written off | - | (6,399) | (6,399) |
| At 31 December 2009 | 160,000 | 17,889 | 177,889 |
| Additions* | - | 92,410 | 92,410 |
| Fair value gain | 5,000 | - | 5,000 |
| Written off | - | (1,039) | (1,039) |
| At 31 December 2010 | 165,000 | 109,260 | 274,260 |

*includes borrowing cost of AED 1,078 (31 December 2009: AED Nil)

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 2010, the fair value of the unrecognised portion of the land granted is estimated at AED 495 million (2009: AED 480 million).

The fair value of the investment property has been determined based on a valuation model recommended by the Royal Institution of Chartered Surveyors Valuation Standards. The valuation is performed by an accredited independent valuation firm which is an industry specialist in valuing these types of investment properties.

16 Operating lease assets

| | 2010 | 2009 |
|--|-------------|-----------|
| Cost | | |
| At 1 January | 2,682,578 | 3,172,937 |
| Additions | 615,371 | 2,575 |
| Disposals | (2,954,913) | (492,934) |
| At 31 December | 343,036 | 2,682,578 |
| Accumulated depreciation and impairment | | |
| At 1 January | 919,890 | 805,104 |
| Depreciation for the year | 100,618 | 142,200 |
| Impairment loss** | 2,942 | 127,258 |
| Disposals | (747,721) | (154,672) |
| At 31 December | 275,729 | 919,890 |
| Net book value | | |
| At 31 December | 67,307 | 1,762,688 |

Operating lease assets include assets held for disposal of AED 67,307 (31 December 2009: Nil), which are stated at lower of cost and net realisable value.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

16 Operating lease assets (continued)

**The Group's operating lease assets comprise of aircraft. The impairment loss reflects an excess in carrying value over recoverable value. Recoverable value is the higher of the fair value less cost to sell or the value in use. Value in use is computed using a discount rate of 9% (2009: 9%) and the fair value is determined by using a third party 'desktop valuation'.

17 Vessels

| | <u>2010</u> | <u>2009</u> |
|--|---------------|---------------|
| Cost | | |
| At 1 January | 61,570 | - |
| Additions | <u>33,012</u> | <u>61,570</u> |
| At 31 December | <u>94,582</u> | <u>61,570</u> |
| Accumulated depreciation and impairment | | |
| At 1 January | 1,514 | - |
| Depreciation for the year | <u>3,889</u> | <u>1,514</u> |
| At 31 December | <u>5,403</u> | <u>1,514</u> |
| Net book value | | |
| At 31 December | <u>89,179</u> | <u>60,056</u> |

18 Investments in finance leases

The Group has placed assets on finance leases for periods up to 9 years.

Investment in finance leases comprise:

| | <u>2010</u> | <u>2009</u> |
|--|-----------------|-----------------|
| Minimum lease payments / gross investment | 58,823 | 66,581 |
| Unearned finance income | <u>(16,827)</u> | <u>(20,930)</u> |
| | <u>41,996</u> | <u>45,651</u> |
| Gross investment in finance leases | | |
| | <u>2010</u> | <u>2009</u> |
| Within one year | 7,757 | 7,757 |
| Between one and five years | 31,028 | 31,028 |
| More than five years | <u>20,038</u> | <u>27,796</u> |
| | <u>58,823</u> | <u>66,581</u> |
| Present value of minimum lease payments | | |
| | <u>2010</u> | <u>2009</u> |
| Within one year | 4,006 | 3,655 |
| Between one and five years | 20,260 | 20,260 |
| More than five years | <u>17,730</u> | <u>21,736</u> |
| | <u>41,996</u> | <u>45,651</u> |

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

18 Investments in finance leases (continued)

Movement in net investment during the year:

| | <u>2010</u> | <u>2009</u> |
|-------------------|----------------|------------------|
| At 1 January | 45,651 | 955,852 |
| Payments received | <u>(3,655)</u> | <u>(910,201)</u> |
| At 31 December | <u>41,996</u> | <u>45,651</u> |

19 Loan investments

Loan investments represent loans provided to an equity accounted investee of AED 58,848 (2009: AED 51,492) and the Group's interest in loan portfolios. The maturity profile of these loan investments is as follows:

Payments due:

| | <u>2010</u> | <u>2009</u> |
|----------------------------|----------------|----------------|
| Within one year | 95,551 | 34,739 |
| Between one and five years | 67,808 | 191,425 |
| More than five years | <u>327,844</u> | <u>204,778</u> |
| | <u>491,203</u> | <u>430,942</u> |

Loan investments amounting to AED 208,175 (2009: AED 309,589) are secured against aircraft portfolio, investments and properties held by the borrowers.

The above loan investments carry interest rates ranging from 5% to 15% per annum (2009: 5% to 15% per annum).

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

20 Investments in equity accounted investees

The Group's share of profit / (loss) in its equity accounted investees for the year was AED 98,660 (2009: AED 61,674). Summary financial information in equity accounted investees (not adjusted for the interest held by the Group) are as follows:

| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Revenues | Expenses | Profit / (loss) |
|------------|----------------|--------------------|--------------|---------------------|-------------------------|-----------|-----------|-----------------|
| 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 |
| As at 2009 | 2,744,428 | 1,501,575 | 4,246,003 | 517,380 | 2,611,512 | 1,255,811 | 1,159,337 | 96,474 |

At the reporting date, equity accounted investees had contingent liabilities of AED 105,613 (2009: AED 322,096) and capital commitments of AED Nil (2009: AED 6,050,907).

The fair value of publicly listed equity accounted investees based on quoted market price is AED 1,550,035 (2009: Nil)

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

20 Investments in equity accounted investees (continued)

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

| | <u>2010</u> | <u>2009</u> |
|--------------------------|------------------|------------------|
| As at 1 January | 1,085,608 | 471,037 |
| Additions | 1,807,031 | 556,911 |
| Disposals | (785,648) | - |
| Share of profit / (loss) | 98,660 | 61,674 |
| Share of equity reserves | 2,700 | - |
| Distributions received | (5,689) | (4,014) |
| As at 31 December | <u>2,202,662</u> | <u>1,085,608</u> |

21 Available-for-sale investments

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 32).

22 Project costs

| | <u>2010</u> | <u>2009</u> |
|---|--------------|---------------|
| At 1 January | 11,746 | 21,803 |
| Project costs incurred | 17,415 | 2,501 |
| Amortisation and write off of project costs | (21,128) | (12,558) |
| At 31 December | <u>8,033</u> | <u>11,746</u> |

23 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.

| | <u>2010</u> | <u>2009</u> |
|--|---------------|----------------|
| Investments held for trading in equity securities* | 7,188 | 10,435 |
| Derivative assets | 68,803 | 111,633 |
| | <u>75,991</u> | <u>122,068</u> |

*For such investments, a two percent increase/decrease in the closing price at the reporting date would have increased/decreased profit by AED 144 (2009: AED 209).

The derivative assets held by the Group, have a notional value of AED 2,103,816 (2009: AED 183,900). The fair values have been derived by discounting the cash flows at relevant market rates.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

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

(a) Contractual maturities of derivative assets/liabilities based on undiscounted cashflows

| | 2010 | 2009 |
|---------------------------------|---------------|----------------|
| Within one year | 3,079 | 119,910 |
| Between one year and five years | 26,792 | - |
| More than five years | 15,667 | - |
| | <u>45,538</u> | <u>119,910</u> |

24 Cash-encumbered

| | 2010 | 2009 |
|---|---------------|---------------|
| Lessee maintenance reserves and security deposits | - | 26,041 |
| Minimum cash balances as per loan agreements | 6,572 | 63,393 |
| Amounts set aside for prior year dividends and rights issue refunds | 7,998 | 7,262 |
| | <u>14,570</u> | <u>96,696</u> |

25 Trade and other receivables

| | 2010 | 2009 |
|---------------------------------|----------------|---------------|
| Trade receivables* | 128,848 | 6,380 |
| Prepayments and advances | 4,456 | 3,525 |
| Accrued interest | 21,644 | 16,999 |
| Other receivables (see note 32) | 34,702 | 37,640 |
| | <u>189,650</u> | <u>64,544</u> |

* The Group had derivative assets at 31 December 2009 which were settled during the period. This has resulted in a reduction of financial assets at fair value through profit or loss and recognition of a long term trade receivable.

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

| | 2010 | 2009 |
|------------------------------|----------------|--------------|
| Middle East and Asia Pacific | 5,085 | 1,361 |
| Europe | - | 2,393 |
| Other regions | 123,763 | 2,626 |
| | <u>128,848</u> | <u>6,380</u> |

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

25 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 Dollars).

The ageing of trade receivables at the reporting date is:

| | 2010 | | 2009 | |
|-------------------|----------------|-----------|---------------|-----------------|
| | Gross | Allowance | Gross | Allowance |
| Not past due | 128,031 | - | 4,583 | - |
| 61 days- 120 days | 817 | - | 1,150 | - |
| 121days - 365days | - | - | 39,013 | (38,366) |
| | <u>128,848</u> | <u>-</u> | <u>44,746</u> | <u>(38,366)</u> |

The movement in provision for doubtful receivables in respect of trade receivables are as follows:

| | 2010 | 2009 |
|------------------------------------|----------|---------------|
| As at 1 January | 38,366 | 14,129 |
| Provision for doubtful receivables | 2,054 | 32,596 |
| Write off during the year | (40,420) | (8,359) |
| As at 31 December | <u>-</u> | <u>38,366</u> |

26 Cash and cash equivalents

| | 2010 | 2009 |
|--|----------------|----------------|
| Cash and bank | 268,343 | 324,955 |
| Investments in highly liquid institutional funds | 311 | 311 |
| | <u>268,654</u> | <u>325,266</u> |

27 Share capital

| | 2010 | 2009 |
|---|------------------|------------------|
| Authorised, issued and fully paid up capital: | | |
| 1,732,500,000 shares (2009: 1,575,000,000 shares) of AED 1 each (refer to note 33) | <u>1,732,500</u> | <u>1,575,000</u> |

28 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.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

29 Borrowings

| | <u>2010</u> | <u>2009</u> |
|-----------------|------------------|------------------|
| Secured loans | 193,553 | 996,396 |
| Unsecured loans | 1,324,080 | 1,092,366 |
| | <u>1,517,633</u> | <u>2,088,762</u> |

Secured loans

These represent commercial loans obtained for the financing of operating lease assets or vessels. These loans are denominated in US Dollars and AED and are repayable in periodic instalments.

Commercial loans are generally secured by a first priority mortgage over the leased assets, vessels assignment of insurances, assignment of lease rentals, a charge over the Subsidiaries' and the Jointly Controlled Entities' bank accounts, a charge over the maintenance reserve and security deposit accounts and a pledge over the shares of the Subsidiaries. There is generally no recourse to the assets of the Company in respect of the loans and limited recourse in respect of certain transactions where the Company is obliged to provide re-marketing support to the lenders for a specified period of time.

As at the reporting date, the carrying amount of operating lease assets and vessels either mortgaged or assigned to lenders, amounted to AED 89,179 (2009: AED 1,171,921).

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 5.45% to 8% per annum (2009: 5.45% to 7.41% per annum).

| | <u>2010</u> | <u>2009</u> |
|----------------|----------------|----------------|
| At 1 January | 996,396 | 1,825,263 |
| Loans borrowed | 898,598 | 14,712 |
| Loans repaid | (225,468) | (843,579) |
| Loans disposed | (1,475,973) | - |
| At 31 December | <u>193,553</u> | <u>996,396</u> |

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

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|----------------|------------------|
| Within one year | 25,258 | 138,347 |
| Between one year and five years | 93,657 | 473,472 |
| More than five years | 160,377 | 512,537 |
| | <u>279,292</u> | <u>1,124,356</u> |

Secured loans mature over a period of between one to thirteen years from the reporting date.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

29 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 4% per annum (2009: 1.23% to 2.46% per annum).

As at the reporting date the Group had AED Nil (2009: AED 746,634) of un-drawn banking facilities.

| | 2010 | 2009 |
|----------------|-----------|-----------|
| At 1 January | 1,092,366 | 890,076 |
| Loans borrowed | 231,714 | 422,970 |
| Loans repaid | - | (220,680) |
| At 31 December | 1,324,080 | 1,092,366 |

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

| | 2010 | 2009 |
|---------------------------------|-----------|-----------|
| Within one year | 1,113,188 | 20,942 |
| Between one year and five years | - | 1,113,188 |
| More than five years | 220,680 | - |
| | 1,333,868 | 1,134,130 |

30 Trade and other payables

| | 2010 | 2009 |
|---|---------|---------|
| Trade payables | 1,633 | 8,172 |
| Lease revenue received in advance | 64 | 13,404 |
| Interest accrued on borrowings | 7,753 | 5,608 |
| Derivative liabilities (Refer note 23(a)) | 26,962 | - |
| Lessee maintenance reserves and security deposits | 1,600 | 123,521 |
| Other payables and accruals | 103,593 | 76,326 |
| | 141,605 | 227,031 |

Certain Subsidiaries hold cash deposits made by lessees as security against future rentals and maintenance obligations. These will either be returned to the lessees at the end of the lease or used to perform the maintenance obligations and are therefore recorded as liabilities.

The fair value of derivative liabilities held by the Group have a notional value of AED 2,138,628 (2009: AED Nil). The fair values have been derived by discounting the cash flows at relevant market rates.

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

31 Non-cancellable operating lease revenue

At the year end the Group has operating lease assets which include assets held for disposal (Refer note 16).

The Group has entered into irrevocable fixed term operating leases with periodic rental payments. The minimum lease revenue on the operating leases is as follows:

| | 2010 | 2009 |
|---------------------------------|------|-----------|
| Within one year | - | 173,859 |
| Between one year and five years | - | 452,533 |
| More than five years | - | 440,287 |
| | - | 1,066,679 |

32 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

| | 2010 | 2009 |
|---------------------|--------|--------|
| Salary and benefits | 9,245 | 23,881 |
| Terminal benefits | 1,074 | 529 |
| | 10,319 | 24,410 |

Others

During the year, the Group has provided an additional loan of AED 7,356 (2009: AED 51,492) to equity accounted investees. Interest accrued on loans to equity accounted investees is AED 6,255 (2009: AED 3,065).

The Group has invested AED 2,604 (2009: (AED 26,692)) in a fund managed by a related party. Further, during the year, the Group received a dividend of AED 6,278 (2009: AED Nil) from this fund.

Other receivables include balances due from equity accounted investees of AED 17,582 (2009: Nil).

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

33 Dividend

During 2010, the shareholders approved a cash dividend of AED 39.38 million and stock dividend of AED 157.5 million (2009: cash dividend of AED 78.75 million).

34 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 129,575 (2009: AED 238,841) and capital commitments of AED 380,798 (2009: AED 627,548).

35 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

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) | |

As at 31 December 2009, the Group held the following financial instruments at fair value:

| | 31 Dec 2009 | Level 1 | Level 2 | Level 3 |
|--|---------------|----------|----------|---------------|
| Financial assets at fair value through profit or loss | | | | |
| Investment in equity securities | 10,435 | 10,435 | - | - |
| Derivative assets | 111,633 | - | 111,633 | - |
| Investments available-for-sale | 65,398 | - | - | 65,398 |

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

35 Fair values (continued)

(b) Fair values of financial assets and liabilities

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

| | 2010 | | 2009 | |
|---|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets | | | | |
| Loan investments | 491,203 | 506,535 | 430,942 | 455,030 |
| Investments available-for-sale | 68,088 | 68,088 | 65,398 | 65,398 |
| Financial assets at fair value through profit or loss | 75,991 | 75,991 | 122,068 | 122,068 |
| Cash encumbered | 14,570 | 14,570 | 96,696 | 96,696 |
| Trade and other receivables | 189,650 | 189,650 | 64,544 | 64,544 |
| Cash and cash equivalents | 268,654 | 268,654 | 325,266 | 325,266 |
| Financial liabilities | | | | |
| Borrowings | 1,517,633 | 1,512,663 | 2,088,762 | 2,084,565 |
| Trade and other payables | 141,605 | 141,605 | 227,031 | 227,031 |

36 Other disclosures

The Group's exposure in certain assets is classified as domestic (UAE) or foreign as explained below:

| | Domestic | Foreign | Total |
|---|-----------------|------------------|------------------|
| Operating lease assets and vessels | 89,179 | 67,307 | 156,486 |
| Investments in finance leases | - | 41,996 | 41,996 |
| Investment in equity accounted investees | 329,562 | 1,873,100 | 2,202,662 |
| Loan investments | 3,500 | 487,703 | 491,203 |
| Investments in available-for-sale | 68,088 | - | 68,088 |
| Financial assets at fair value through profit or loss | 7,188 | 68,803 | 75,991 |
| | 497,517 | 2,538,909 | 3,036,426 |
| | Domestic | Foreign | Total |
| Cash-encumbered | 14,364 | 206 | 14,570 |
| Cash and cash equivalents | 266,701 | 1,953 | 268,654 |
| | 281,065 | 2,159 | 283,224 |

AL WAHA CAPITAL P.J.S.C.

Notes to the consolidated financial statements (continued)

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

37 Comparative information

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