

**ABU DHABI AVIATION**

**Report and consolidated  
financial statements for the year  
ended 31 December 2019**

## **ABU DHABI AVIATION**

### **Report and consolidated financial statements for the year ended 31 December 2019**

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI AVIATION**

### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the consolidated financial statements of Abu Dhabi Aviation ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key matter matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were discussed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters remained similar from prior year except the ones related to updates on adoption of new IFRSs.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

**Key audit matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Revenue recognition</b></p> <p>The Group reported revenue of AED 2,081.7 million as at 31 December 2019 from services rendered to customers from aircraft operations.</p> <p>There is an inherent risk around the accuracy of revenue recognised given the complexity of the business services and consequently we considered this to be a key audit matter.</p> <p>The amount of revenue and profit recognised in the year on various contracts with government entities is dependent on the customer's acceptance of the services which in certain circumstances is difficult to demonstrate. Consequently, significant judgement is applied in determining the measurement of revenue and the timing of revenue recognition.</p> <p>The following notes to the financial statements contain the relevant information related to the matters discussed above:  Note 3 – Significant Accounting Policies  Note 25 – Revenue  Note 4 – Critical Accounting Judgments and Key Sources of Estimation Uncertainty</p>	<p>Our audit approach included a combination of test of controls and substantive procedures, in particular, the following:</p> <ul style="list-style-type: none"> <li>• Understanding the significant revenue processes and identifying the relevant controls, IT systems and reports;</li> <li>• Understanding the control environment and applications involved in the revenue recording process;</li> <li>• Performing tests on the accuracy of customer bills on a sample basis;</li> <li>• Performing analytical procedures on significant revenue streams;</li> <li>• Assessing the appropriateness of the Group's accounting policy against the requirements of IFRSs and the compliance of revenue recognized therewith; and</li> <li>• Assessing the overall presentation, structure and content of revenue related disclosures in notes 3,4 and 25 to the consolidated financial statements to determine if they were in compliance with the requirements of IFRSs.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

**Key audit matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Recoverability of aircraft related assets</b></p> <p>The carrying value of aircraft, property and equipment includes AED 2,173.32 million as of 31 December 2019 relating to aircraft related assets. We consider this to be a key audit matter because significant judgements and estimates are applied to conclude if there is any indication that assets are impaired, which could include a notable decline in the financial performance and worsened economic/financial prospects due to economic and other factors, and the extent of impairment, if any.</p> <p>The impairment of aircraft related assets is measured by comparing their carrying value to their estimated recoverable amount, being the higher of estimated fair value less costs of disposal and value in use at the individual cash generating units (CGU) level. The inherent risks associated with assessing the recoverable amount of aircraft related assets are significant. Management's measurement of recoverable amount requires significant judgement to be applied in the determination of CGUs and estimation of current and future market conditions, projected cash flows and discount rates.</p> <p>Refer to note 5 in the financial statements for disclosures made relating to this matter.</p>	<p>Our procedures included the following:</p> <p>We assessed management's determination of the Group's CGUs based on our understanding of the Group's business. We analysed the Group's internal reporting to assess how earnings are monitored and reported and the consequent implication to CGU identification.</p> <p>Where fair value less costs of disposal were determined by management, our audit procedures include examination of fair value less costs of disposal for these aircraft assets provided by third parties (including valuation specialists and brokers) and assessment of the independence, skills, objectivity and qualifications of these parties. We also reviewed the contracts between these parties and the Group to determine if the scope of the valuation was sufficient for audit purposes.</p> <p>Where value in use calculations were determined by management, our audit procedures include challenging management's estimation of the present value of the net cash flows expected to be generated from these assets based on the assumptions of their future utilisation, revenue generation and costs. We challenged the appropriateness of estimates for each CGU based on our assessment of the historical accuracy of the Company's estimates in previous periods.</p> <p>We determined if the disclosures made in the financial statements for this matter were in accordance with the requirements of IFRSs.</p>

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)

### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><b>Classification of investments in joint arrangements</b></p> <p>The Group's investment in joint venture are carried at AED 57.94 million as of 31 December 2019.</p> <p>As disclosed in note 4 to the consolidated financial statements, the Company has equity interests Agusta Westland Aviation Services LLC and a joint operation with CAE Inc. Management applies significant judgement in determining the appropriate classification of these investments as subsidiaries, associates and joint ventures, based upon an analysis of the Company's ability to exert control, joint control and significant influence over the entities.</p> <p>These entities are significant for the Group and their classification has a material impact on the Group's consolidated financial statements and therefore we identified this as a key audit matter.</p> <p>The following notes to the financial statements contain the relevant information related to the above discussed matters:  Note 9 – Investment in joint venture  Note 10 – Joint operations</p>	<p>Our procedures included the following:</p> <p>We examined management's assessment on the classification of investments reasonableness, based on an evaluation of the of the underlying documents governing the relationship between the Company, these entities and other shareholders as well as other facts and circumstances that could have a bearing on the relationship against the requirement of IFRSs</p> <p>We assessed the adequacy of disclosures related to the classification of investments to determine if they were in compliance with IFRSs.</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

**Key audit matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Allowance for slow moving and obsolete inventories</b></p> <p>The Group held inventories with a carrying values of AED 484.48 million as of 31 December 2019.</p> <p>Inventories are stated at the lower of cost and net realizable value and an allowance for slow moving inventories is made by the Group's management, where necessary. Inventories include items such as high value spares that may need to be held over many years given the nature of Group's business and may have limited resale value.</p> <p>Management estimates the level of obsolescence of inventories considering the nature, ageing and other sales expectation factors and reviews the valuation of inventories for the purpose of writing-off the cost of inventories which are in excess of their expected net realizable value.</p> <p>We considered this to be a key audit matter due to the level of significant judgments applied and estimates made by management in determining the allowance for slow moving inventories and inventories written off based on the assessment of their net realizable value.</p> <p>Refer to note 3 for accounting policy and notes 4 for Critical Accounting Judgments and Key Sources of Estimation Uncertainty</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>- Assessed the design and implementation and tested the effectiveness of the Group's controls around the estimation and monitoring of the allowance of slow moving inventories;</li> <li>- Evaluated the Group's policies for slow moving inventories by comparing historical estimations to actual results, assessing the consistency of the policy with prior years and our knowledge of industry practice;</li> <li>- Tested the accuracy and completeness of the inventory ageing reports used by management in the assessment of the allowance for slow moving inventories and arithmetical accuracy of the computations;</li> <li>- We determined if the allowance for inventories is in accordance with the Group's policies in this area; and</li> <li>- Inquired about the existence of any obsolete or slow moving inventories during our attendance at physical inventory counts.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)

### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<b>Application of IFRS 16 Leases</b>	
<p>The Group adopted IFRS 16 Leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16</p> <p>The impact of IFRS 16 is a change in the accounting policy for operating leases. This change in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of financial position. The incremental borrowing rate ("IBR") method has been applied where the implicit rate in a lease is not readily determinable.</p> <p>The adoption of IFRS 16 has resulted in changes to processes, systems and controls.</p> <p>Because of the number of judgements which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter.</p> <p>The transitional impact of IFRS 16 has been disclosed in note 3 to the consolidated financial statements.</p>	<p>We obtained an understanding of the Group's adoption of IFRS 16 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard.</p> <p>We assessed the design and implementation of key controls pertaining to the application of IFRS 16.</p> <p>We assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our internal specialists.</p> <p>We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.</p> <p>We considered the completeness of the lease data by testing the reconciliation of the Group's lease liability to operating lease commitments disclosed in the 2018 consolidated financial statements and by considering if we had knowledge of any other contracts which may contain a lease.</p> <p>We determined if the disclosures made in the consolidated financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs.</p>





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

### **Other matter**

The consolidated financial statements of the Group for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 11 February 2019.

### **Other Information**

The Board of Directors is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Board of Directors for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the Articles of Association of the Company and UAE Federal Law No. (2) of 2015, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI AVIATION (continued)**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the UAE Federal Law No. (2) of 2015, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account, the contents of the Director's report in agreement with the Company's consolidated financial statements;
- The financial information included in the Director's report is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in any shares during the financial year ended 31 December 2019;
- Note 12 to the consolidated financial statements discloses material related party balances, transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah

Registration No. 717

04 FEB 2020

Abu Dhabi

United Arab Emirates

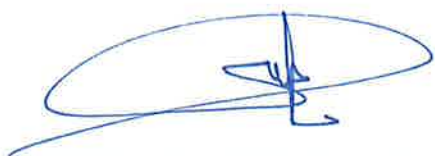
**Consolidated statement of financial position  
as at 31 December 2019**

	<i>Notes</i>	<b>2019 AED'000</b>	<b>2018 AED'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Aircraft, property and equipment	5	2,356,806	2,585,458
Investment properties	6	318,131	410,363
Investments in financial assets	7	21,236	88,115
Right of use assets	8	115,246	-
Investment in a joint venture	9	57,939	53,645
<b>Total non-current assets</b>		<b>2,869,358</b>	<b>3,137,581</b>
<b>Current assets</b>			
Inventories		484,484	469,949
Trade receivables	11	634,489	539,613
Contract assets, prepayments and other current assets	13	264,136	178,998
Cash and bank balances	14	717,208	474,223
Right of use assets	8	10,573	-
Asset held for sale	15	-	8,975
<b>Total current assets</b>		<b>2,110,890</b>	<b>1,671,758</b>
<b>Total assets</b>		<b>4,980,248</b>	<b>4,809,339</b>
<b>Equity</b>			
Share capital	16	444,787	444,787
Share premium		112,320	112,320
Reserves	17	1,919,133	1,873,533
Retained earnings		567,953	446,653
<b>Equity attributable to owners of the Company</b>		<b>3,044,193</b>	<b>2,877,293</b>
<b>Non-controlling interest</b>	19	<b>376,589</b>	<b>321,578</b>
<b>Total equity</b>		<b>3,420,782</b>	<b>3,198,871</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	20	154,693	145,462
Term loans	21	628,143	489,225
Lease liabilities	22	140,942	113,881
Deferred income	23	178,699	213,505
<b>Total non-current liabilities</b>		<b>1,102,477</b>	<b>962,073</b>

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

**Consolidated statement of financial position (continued)**  
**as at 31 December 2019**

	<i>Note</i>	<b>2019</b> <b>AED'000</b>	<b>2018</b> <b>AED'000</b>
<b>Current liabilities</b>			
Trade and other payables	24	138,804	105,000
Accrued expenses and other current liabilities		173,719	130,654
Term loans	21	96,549	362,292
Lease liabilities	22	12,622	1,240
Deferred income	23	35,295	49,209
<b>Total current liabilities</b>		<b>456,989</b>	<b>648,395</b>
<b>Total liabilities</b>		<b>1,559,466</b>	<b>1,610,468</b>
<b>Total equity and liabilities</b>		<b>4,980,248</b>	<b>4,809,339</b>



Nader Ahmed Mohammed Al Hammadi  
*Chairman*



Shaikh Ahmed Mohamed Sultan AlDhaheri  
*Vice Chairman*



Ashraf Fahmy  
*Chief Financial Officer*

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2019**

	<i>Notes</i>	<b>2019 AED'000</b>	<b>2018 AED'000</b>
Revenue from contracts with customers	25	<b>2,081,716</b>	1,806,762
Direct operating costs	26	<b>(1,561,810)</b>	(1,378,566)
<b>Gross profit</b>		<b>519,906</b>	428,196
General and administrative expenses	27	<b>(205,474)</b>	(200,580)
Gain on change in fair value of investment properties	6	<b>9,000</b>	15,239
Income from investment properties		-	19,495
Property rental expense		-	(3,175)
Gain on disposal of aircraft, property and equipment		<b>120</b>	6,786
Gain on disposal of asset held for sale		<b>2,945</b>	-
Cumulative loss on investment in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal	7	<b>(2,360)</b>	-
Impairment loss on aircraft, property and equipment	5	<b>(17,820)</b>	(16,078)
Net charge of impairment loss on trade receivables	11	<b>(28,994)</b>	(12,765)
Amortisation of deferred income	23	<b>35,295</b>	55,223
Share of profit of a joint venture	9	<b>4,294</b>	6,756
Finance income		<b>13,716</b>	9,249
Finance costs		<b>(46,206)</b>	(44,540)
Other income		<b>13,963</b>	20,660
Gain on financial asset at fair value through profit or loss	7	<b>2,820</b>	15
<b>Profit for the year</b>		<b>301,205</b>	284,481
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>246,194</b>	231,425
Non-controlling interest	19	<b>55,011</b>	53,056
		<b>301,205</b>	284,481
Basic and diluted earnings per share (AED)	28	<b>0.55</b>	0.52

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

**Consolidated statement of profit or loss and other comprehensive income (continued)**  
**for the year ended 31 December 2019**

	<i>Notes</i>	<b>2019</b> <b>AED'000</b>	2018 AED'000
<b>Profit for the year</b>		<b>301,205</b>	284,481
<b>Other comprehensive income</b>			
<b>Items that may be reclassified</b>			
<b>subsequently to profit or loss</b>			
Foreign currency translation differences		<b>5,278</b>	(7,742)
Fair value gain/(loss) on investment in debt instruments measured at FVTOCI	7	<b>2,025</b>	(4,385)
Cumulative loss on investment in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal	7	<b>2,360</b>	-
Other comprehensive income/(loss) for the year		<b>9,663</b>	(12,127)
<b>Total comprehensive income for the year</b>		<b>310,868</b>	272,354
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>255,857</b>	219,298
Non-controlling interest	19	<b>55,011</b>	53,056
		<b>310,868</b>	272,354

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

**Consolidated statement of changes in equity  
for the year ended 31 December 2019**

	Share Capital AED'000	Share premium AED'000	Reserves AED'000	Retained Earnings AED'000	Equity attributable to owners of the Company AED'000	Non- controlling interest AED'000	Total AED'000
<b>Balance at 1 January 2019</b>	<b>444,787</b>	<b>112,320</b>	<b>1,873,533</b>	<b>446,653</b>	<b>2,877,293</b>	<b>321,578</b>	<b>3,198,871</b>
Profit for the year	-	-	-	246,194	246,194	55,011	301,205
Other comprehensive income for the year	-	-	9,663	-	9,663	-	9,663
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>9,663</b>	<b>246,194</b>	<b>255,857</b>	<b>55,011</b>	<b>310,868</b>
Transfer to legal reserve in subsidiaries ( <i>Note 17</i> )	-	-	27,530	(27,530)	-	-	-
Dividends ( <i>Note 18</i> )	-	-	-	(88,957)	(88,957)	-	(88,957)
Reclassification of translation reserve	-	-	8,407	(8,407)	-	-	-
<b>Balance at 31 December 2019</b>	<b>444,787</b>	<b>112,320</b>	<b>1,919,133</b>	<b>567,953</b>	<b>3,044,193</b>	<b>376,589</b>	<b>3,420,782</b>

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



## ABU DHABI AVIATION

Consolidated statement of changes in equity (continued)  
for the year ended 31 December 2019

	Share capital AED'000	Share premium AED'000	Reserves AED'000	Retained earnings AED'000	Equity attributable to owners of the Company AED'000	Non- controlling interest AED'000	Total AED'000
<b>Balance at 1 January 2018</b>	444,787	112,320	1,762,407	427,438	2,746,952	268,522	3,015,474
Profit for the year	-	-	-	231,425	231,425	53,056	284,481
Other comprehensive loss for the year	-	-	(12,127)	-	(12,127)	-	(12,127)
<b>Total comprehensive income</b>	-	-	(12,127)	231,425	219,298	53,056	272,354
Dividends ( <i>Note 18</i> )	-	-	-	(88,957)	(88,957)	-	(88,957)
Transfer to legal reserve in subsidiaries ( <i>Note 17</i> )	-	-	23,253	(23,253)	-	-	-
Transfer to maintenance and fleet replacement reserve	-	-	100,000	(100,000)	-	-	-
<b>Balance at 31 December 2018</b>	<b>444,787</b>	<b>112,320</b>	<b>1,873,533</b>	<b>446,653</b>	<b>2,877,293</b>	<b>321,578</b>	<b>3,198,871</b>

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

**Consolidated statement of cash flows  
for the year ended 31 December 2019**

	<i>Notes</i>	<b>2019 AED'000</b>	<b>2018 AED'000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		<b>301,205</b>	284,481
<i>Adjustments for:</i>			
- Depreciation	5	<b>179,317</b>	159,718
- Amortisation of right of use asset	8	<b>13,028</b>	-
- Net charge of impairment losses on trade receivables	11	<b>29,864</b>	12,836
- Reversal for obsolete and slow moving inventories		-	(4,875)
- Recovery of impaired trade receivables	11	<b>(870)</b>	(71)
- Impairment loss on aircraft, property and equipment	5	<b>17,820</b>	16,078
- Gain on disposal of asset held for sale		<b>(2,945)</b>	-
- Provision for employees' end of service benefits	20	<b>21,211</b>	22,804
- Amortisation of deferred income	23	<b>(35,295)</b>	(55,223)
- Gain on change in fair value of investment properties	6	<b>(9,000)</b>	(15,239)
- Gain on disposal of aircraft, property and equipment	5	<b>(120)</b>	(6,786)
- Losses on investments in debt instruments reclassified as at FVTOCI	7	<b>2,360</b>	-
- Share of profit of a joint venture	9	<b>(4,294)</b>	(6,756)
- Finance costs		<b>35,265</b>	44,540
- Finance income		<b>(13,716)</b>	(9,249)
- Gain on financial asset at fair value through profit or loss	7	<b>(2,820)</b>	(15)
- Interest expense on lease liabilities		<b>10,941</b>	-
		<b>541,951</b>	442,243
Changes in:			
- Inventories		<b>(14,535)</b>	(22,839)
- Trade receivables	11	<b>(123,870)</b>	(92,901)
- Contract assets, prepayments and other current assets	13	<b>(85,138)</b>	(24,246)
- Trade and other payables	24	<b>33,923</b>	8,223
- Accrued expenses and other current liabilities		<b>43,065</b>	15,829
Cash generated from operating activities		<b>395,396</b>	326,309
Benefits paid	20	<b>(12,099)</b>	(19,861)
<b>Net cash from operating activities</b>		<b>383,297</b>	306,448

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

**Consolidated statement of cash flows (continued)**  
**for the year ended 31 December 2019**

	<i>Notes</i>	<b>2019 AED'000</b>	<b>2018 AED'000</b>
<b>Cash flows from investing activities</b>			
Acquisition of aircraft, property and equipment	5	(63,788)	(150,633)
Payments for investment property	6	(38,579)	(6,806)
Purchase of investment in financial assets	7	-	(37,745)
Proceeds from disposal of aircraft, property and equipment		120	25,208
Proceeds from disposal of investment property	6	139,811	-
Proceeds from disposal of investment in financial assets	7	71,724	-
Proceeds from disposal of asset held for sale		11,920	-
Finance income received		13,716	9,249
Deposits with maturities over three months	14	(131,274)	40,473
<b>Net cash generated from / (used in) investing activities</b>		<b>3,650</b>	<b>(120,254)</b>
<b>Cash flows from financing activities</b>			
	33		
Proceeds from term loans		285,000	50,000
Repayment of term loans		(411,825)	(76,624)
Interest paid on lease liabilities		(10,941)	-
Payments for lease liabilities/ finance lease liabilities		(11,458)	(1,148)
Finance cost paid		(37,055)	(44,540)
Dividends paid	18	(88,957)	(88,957)
<b>Net cash used in financing activities</b>		<b>(275,236)</b>	<b>(116,729)</b>
<b>Net increase in cash and cash equivalents</b>		<b>111,711</b>	<b>24,925</b>
Cash and cash equivalents at 1 January		183,638	158,713
<b>Cash and cash equivalents at 31 December</b>	14	<b>295,349</b>	<b>183,638</b>

The Group entered into the following non-cash transaction which is not reflected in the consolidated statement of cash flows.

Capital work in progress transferred to a related party	-	4,600
Write off of capital work in progress	-	3,680

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

## Notes to the consolidated financial statements for the year ended 31 December 2019

### 1 General information

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

The Company and its subsidiaries (together referred to as the “Group”) have been established to own and operate helicopters and fixed wing aircraft both within and outside the United Arab Emirates and to undertake charter, commercial, air cargo and other related services. The Company has its registered office at P.O. Box 2723, Abu Dhabi, UAE.

The Group did not purchase or invested in any shares during the year ended 31 December 2019.

### 2 Application of new and revised International Financial Reporting Standards (IFRSs)

#### 2.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Group, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group’s consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

#### **Impact of the new definition of a lease**

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.1 New and amended IFRS Standards that are effective for the current year (continued)**

**Impact on Lessee Accounting**

*Former operating leases*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- a) recognises right-of-use assets and lease liabilities in the statement of consolidated financial position, initially measured at the present value of future lease payments;
- b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within general and administration expenses in the consolidated statement of profit or loss.

*Former finance leases*

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

**Financial impact of initial application of IFRS 16**

The tables below show the amount of adjustment for each consolidated financial statement line item affected by the application of IFRS 16 for the year 31 December 2019

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.1 New and amended IFRS Standards that are effective for the current year (continued)**

**Financial impact of initial application of IFRS 16 (continued)**

**Impact on consolidated statement of profit or loss**

	<b>2019 AED'000</b>
Increase in amortisation expense	13,028
Increase in finance costs – net	1,931
Decrease in depreciation expense	(8,463)
Decrease in rental expense	(5,245)
<b>Net decrease in profit or loss</b>	<b><u>1,251</u></b>

**Impact on consolidated statement of cash flows**

	<b>2019 AED'000</b>
Interest paid on lease liabilities	(1,931)
Payment of principal portion of lease liabilities	(1,634)
Payment of principal portion of finance lease liabilities	1,240
<b>Net cash flows from financing activities</b>	<b><u>(2,325)</u></b>

**Impact on assets, liabilities and equity as at 1 January 2019**

	<b>As previously reported AED'000</b>	<b>Adjustments AED'000</b>	<b>As restated AED'000</b>
Aircraft, property and equipment (note 5)	2,585,458	(95,280)	2,490,178
Right-of-use assets (note 8)	-	95,280	95,280
<b>Net impact on total assets</b>	<b><u>2,585,458</u></b>	<b><u>-</u></b>	<b><u>2,585,458</u></b>
Lease liabilities (note 22)	-	115,122	115,122
Finance lease liabilities (note 22)	115,122	(115,122)	-
<b>Net impact on total liabilities</b>	<b><u>115,122</u></b>	<b><u>-</u></b>	<b><u>115,122</u></b>

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as following to the recognised lease liabilities as of 1 January 2019.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.1 New and amended IFRS Standards that are effective for the current year (continued)**

**Financial impact of initial application of IFRS 16 (continued)**

**Impact on assets, liabilities and equity as at 1 January 2019 (continued)**

	<b>AED'000</b>
<b>Operating lease commitments as at 31 December 2018</b>	<b>63,246</b>
Discounted using the lessee's incremental borrowing rate at the date of initial application	(9,182)
Add: finance lease liabilities recognised as at 31 December 2018	115,121
Less: short term leases recognised on a straight line basis as expense	(638)
Less: adjustments as a result of a different treatment of extension and termination options	(3,525)
	<b>165,022</b>
<b>Lease liability recognised as at 1 January 2019</b>	<b>165,022</b>
Of which are:	
Current lease liabilities	17,377
Non-current lease liabilities	147,645
	<b>165,022</b>

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

*Group as a lessee*

- a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.
- b) Property held under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-of-use-assets. There has been no change in the amount recognised.
- c) Finance lease liability on leases previously classified as financing leases under of IAS 17 is now presenting in the separate line lease liabilities. There has been no change in the liability recognised.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.2 New and amended IFRS applied with no material effect on the consolidated financial  
statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation and Modification of financial liabilities</i>	1 January 2019
<p>The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.</p> <p>The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.</p>	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures.	1 January 2019
<p>These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>	
Annual Improvements to IFRSs 2015-2017 <i>Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>	1 January 2019
<p>The <i>Annual Improvements</i> include amendments to four Standards.</p>	



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.2 New and amended IFRS applied with no material effect on the consolidated financial  
statements (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*IAS 12 Income Taxes*

1 January 2019

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

*IAS 23 Borrowing costs*

1 January 2019

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

*IFRS 3 Business Combinations*

1 January 2019

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

*IFRS 11 Joint Arrangements*

1 January 2019

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

*Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement*

1 January 2019

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.2 New and amended IFRS applied with no material effect on the consolidated financial  
statements (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*IFRIC 23 Uncertainty over Income Tax Treatments*

1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of these revised IFRSs have not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**2.3 New and amended IFRSs in issue but not yet effective and not early adopted**

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

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

1 January 2020

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.'

*Definition of a Business – Amendments to IFRS 3 Business Combinations*

1 January 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**2.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*Amendments to References to the Conceptual Framework in IFRS Standards*

1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

*IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments*

1 January 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform

*IFRS 17 Insurance Contracts*

1 January 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies**

**Statement of compliance**

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

These consolidated financial statements have been prepared on the historical cost basis, except for investments in financial assets and investment properties, which are carried at fair value.

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and presentational currency. All values are rounded to the nearest AED thousand, unless otherwise indicated.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.
- The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

The consolidated financial statements incorporate the financial position and performance of the Company and its subsidiaries as disclosed below:

Name of subsidiary	<u>Ownership interest</u>		Country of incorporation	Principal activities
	31 December 2019	31 December 2018		
Maximus Air – Sole Proprietorship L.L.C.	100%	100%	UAE	Air cargo
Royal Jet L.L.C.	50%	50%	UAE	Commercial air and transportation services
Herbal Hill Gardens Limited	100%	100%	Gibraltar	Investment properties ownership
ADA Real Estate Management and General Maintenance L.L.C.	100%	100%	UAE	Real estate and facilities
Maximus Airlines L.L.C.	100%	100%	Ukraine	Air cargo services
ADA International Real Estate Owned by Abu Dhabi Aviation – Sole Proprietorship Co. L.L.C.	100%	100%	UAE	Real estate lease and management services
Abu Dhabi Aviation Training Centre L.L.C.	100%	100%	UAE	Aviation training
ADA Millennium Consulting – Owned by Abu Dhabi Aviation Sole Proprietorship L.L.C.	100%	100%	UAE	Advisory and implementation consultancy services to aviation, manufacturing, hospitality, oil and gas and private equity sectors

**Investment in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

**Investment in joint ventures (continued)**

Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in a joint venture is included in the determination of the gain or loss on disposal of the joint venture. If a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

**Investment in joint ventures (continued)**

When a Group entity transacts with an a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an joint venture to which the equity method is not applied and which form part of the net investment in the investee.

Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

**Interests in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Non-current assets held for sale**

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

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

**Revenue recognition**

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when each performance obligation of the service is fulfilled.

The stand-alone selling prices are determined based on the observable price at which the Company sells services on a standalone basis. For items that are not sold separately the Company estimates standalone selling prices using other methods

The Group recognises revenue from the following major sources:

**Helicopter and fixed wing operations , Commercial aircraft operation and Air Cargo**

Revenue represents amounts invoiced by the Group in respect of aviation services provided during the year measured at the fair value of the consideration received or receivable, net of discounts.

Revenue is recognised over time as the services are provided.

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on the contracts signed with the customers.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

**Rental income / Others**

Revenue represents amounts invoiced by the Group in respect of rental / consultancy services provided during the year measured at the fair value of the consideration received or receivable, net of discounts.

The Group recognises revenue when the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for Group's activities.

*Contract assets and liabilities*

The Company has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Company classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

**Leases (applicable from 1 January 2019)**

*(a) The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Leases (applicable from 1 January 2019) (continued)**

*(a) The Group as lessee (continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Leases (applicable from 1 January 2019)**

*(a) The Group as lessee (continued)*

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Aircraft, Property and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the nonlease components.

**Leases ( applicable prior to 1 January 2019)**

**Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**Leased assets**

Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Leases ( applicable prior to 1 January 2019) (continued)**

**Lease payments (continued)**

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Sale and finance leaseback transaction**

If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

**Sale and operating leaseback transactions**

If the sale and leaseback transaction results in an operating lease, any profit or loss is recognised immediately in the profit or loss to the extent of fair value of the asset.

If the sale price is lower than the fair value, any profit or loss is recognised immediately except that if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used.

**Interest / dividend income and interest expense**

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Summary of significant accounting policies (continued)**

**Foreign currency**

In preparing the financial statements of the Group entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)****3 Summary of significant accounting policies (continued)****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including aircraft, property and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Deferred income relating to Maximus Air – Sole Proprietorship L.L.C is recognised at the nominal value of shares that was granted to the Company. Deferred income is amortised on the basis of the agreed legal duration of the related investment of 25 years.

Deferred income relating to aircraft, property and equipment granted by the Abu Dhabi Government to Royal Jet L.L.C. is recognised at the nominal value of the assets. Deferred income is amortised on the basis of the estimated useful life of the asset.

**Aircraft, property and equipment****Recognition and measurement**

Items of aircraft, property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of aircraft, property and equipment have different useful lives, then they are accounted for as separate items (major components) of aircraft, property and equipment.

Any gain or loss on disposal of an item of aircraft, property and equipment is recognised in profit or loss.

**Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The cost of replacing part of an item of aircraft, property and equipment including major inspections and overhauls is recognised in the carrying amount of the related asset if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The remaining carrying amount of replaced parts is derecognised simultaneously. Major inspections and overhaul are capitalised as a separate component of aircraft, property and equipment and are amortised over the period to the next major overhaul.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Aircraft, property and equipment (continued)**

**Depreciation**

Depreciation is calculated on a straight-line basis so as to write off the cost of assets over their estimated useful lives, after allowing for estimated residual value. The estimated useful lives of the Group's property and equipment are disclosed in Note 6.

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

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

The estimated useful life for aircraft, property and equipment in the current year and comparative period is as follows:

Commercial aircraft, rotatable parts and repairables	20 years
Cargo aircraft and spare engines	25 years
Fixed wing aircraft	15 years
Helicopters and major rotables	10-15 years
Fixed wing spares	15 years
Motor vehicles	4 years
Ground equipment	5 years
Furniture and office equipment	4-5 years
Housing complex	30 years
Buildings	30 years (2018: 30 years)
Commercial aircraft facility leasehold improvements	3 years
Fixtures and fittings	10 years
Main rotor yokes	5,000 - 10,000 hours
Main rotor blades	4,000 hours

**Investment properties**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Impairment of property, plant and equipment and intangible assets excluding goodwill**

At each reporting date, the Group reviews the carrying amounts of its aircraft, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle wherein the cost of inventories includes the invoiced cost, freight expenses, duties and other expenses incurred in bringing the inventories to their present condition and location. Allowance is made in the accounts for obsolete and slow-moving items based on management's judgement.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets**

**(i) Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the finance income line item.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets (continued)**

**(ii) Debt instruments classified as at FVTOCI**

The debt instruments held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in note 31(a). The debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

**(iii) Equity instruments designated as at FVTOCI**

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income - other' line item (note 10) in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 25).

**(iv) Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets (continued)**

**(iv) Financial assets at FVTPL**

Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Gain on investment through profit or loss' line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 31(a).

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets, as well as on contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets (continued)**

**Impairment of financial assets (continued)**

**(i) Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets (continued)**

**Impairment of financial assets (continued)**

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event (see (ii) above);
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. the disappearance of an active market for that financial asset because of financial difficulties.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial assets (continued)**

**Impairment of financial assets (continued)**

**(v) Measurement and recognition of expected credit losses (continued)**

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

**Derecognition of financial assets**

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the other income line item in consolidated statement of profit or loss.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3 Significant accounting policies (continued)**

**Provisions**

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

Provisions are determined by discounting the expected future cash flows at a 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 finance cost.

**Employee benefits**

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees' and the obligation can be estimated reliably.

*Termination benefits for non UAE Nationals*

For Group entities domiciled in the UAE, provision for staff terminal benefits is made in accordance to the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff were to be terminated at the reporting date.

*Termination benefits for UAE Nationals*

With respect to its UAE national employees, the Company makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salary. The Company's obligations are limited to those contributions, which are expensed when due.

Pension contributions are made in respect of UAE national employees to Abu Dhabi Retirement Pensions and Benefits Fund in accordance with the UAE Federal Law No. (2) of 2000. Such contributions are charged to the profit or loss during the employees' period of service.

An actuarial valuation is not performed on staff terminal and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**4 Critical accounting judgment and key sources of estimation uncertainty**

In applying the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Judgements in determining the timing of satisfaction of performance obligations*

The Company generally recognises revenue over time as it performs continuous transfer of control of goods or transport services to the customers. Because customers simultaneously receive and consume the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation. In determining the method for measuring progress for these performance obligations, we have considered the nature of these goods and services as well as the nature of its performance.

*Classification Joint venture*

As describe in Note 9, AgustaWestland Aviation Services L.L.C. ("AWAS") is a joint venture of the Company and Agusta SpA. Although the Company owns a 70% ownership interest in AWAS, the Company does not have control or significant influence over AWAS as it is contractually agreed with Agusta SpA that the relevant activities of AWAS require unanimous consent of the parties sharing control. AWAS is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, AWAS is classified as a joint venture of the Company.

*Classification of joint arrangement*

The Company has entered into a cooperation and services arrangement with CAE Inc. where the contributions and profit sharing is based on 50-50% basis between the parties. The parties have direct rights to the assets and are jointly and severally liable for the liabilities incurred by the arrangement. This arrangement is therefore classified as a joint operation, and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**Critical judgements in applying the Group's accounting policies (continued)**

*Classification of Subsidiary*

The Company has a 50% ownership interest in Royal Jet LLC, with the other 50% owned by Presidential Flight Authority. Royal Jet LLC is accounted for as a subsidiary of the Group on the basis that the group is able to exert control over this entity as a result of majority Board representation and its reliance on the Company for technical support and operations.

*Classification of properties*

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property and equipment and/or asset held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property and equipment and asset held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16, IAS 40 and IFRS 5, in particular, the intended usage of property as determined by management.

*Significant increase in credit risk*

As explained in note 3, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

*Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Allowance for impairment losses on trade receivables and contract assets*

The Group recognises loss allowances for ECLs on trade receivables and contract assets. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of trade receivables and contract assets has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group assumes that the credit risk on trade receivables and contract assets has increased significantly based on significant judgement. Specific factors management considers include the age of balance, background of the customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. Management has estimated the recoverability of trade receivables balances and has considered the allowance required for impaired receivables. Allowance for impairment losses on trade receivables at 31 December 2019 is AED 81.3 million (2018: AED 52.4 million).

*Allowance for obsolete and slow moving inventories*

Management has estimated the recoverability of inventory balances which relates to spare parts and rotatables (finished goods) and has considered the allowance required for inventory obsolescence based on the current economic environment and past obsolescence history. Allowance for impairment of obsolete and slow-moving inventories as at 31 December 2019 is AED 29.3 million (2018: AED 29.3 million).

*Useful lives of aircraft, property and equipment*

The Group determines the estimated useful lives of its aircraft, property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of assets and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge is adjusted where management believes that the useful lives differ from the previous estimates.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**Key sources of estimation uncertainty (continued)**

*Fair value of investment properties*

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

*Impairment of aircraft, property and equipment and capital work in progress*

Properties classified under property and equipment and capital work in progress are assessed for impairment by comparing the carrying value to their estimated recoverable amount, being the higher of their estimated fair value less costs of disposal and value in use at individual CGU level. For the year ended 31 December 2019, Royal Jet LLC has recorded an impairment loss on its G5000 fleet (separate CGU) amounting to AED 17.8 million. In 2018, Abu Dhabi Aviation had recorded an impairment loss on B412 EPI and fleet of B212 aircraft (separate CGUs) amounting to AED 16.1 million. Details of the impairment losses are set out in Note 5 to the consolidated financial statements.

*Impairment of investment in joint venture*

Management regularly reviews its investment in joint ventures for indicators of impairment. This determination of whether investment in joint ventures is impaired, entails management's evaluation of the investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and into the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment is required on its investment in joint ventures (Note 9).

*Determination of fair values for sale and leaseback transaction (for the year ended 2018 only)*

In order to determine the fair values of sale and leaseback transactions, management invites bids from willing buyers in an open market or an independent valuation. The bids are evaluated considering quantitative and qualitative factors including price offered by the willing buyers.

*Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## ABU DHABI AVIATION

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

## 5 Aircraft, property and equipment

	Buildings improvements AED'000	Commercial aircraft facility leasehold AED'000	Helicopters, aircraft and major rotables AED'000	Cargo aircraft building AED'000	Cargo aircraft and spares AED'000	Commercial aircraft AED'000	Commercial aircraft rotable parts and repairs AED'000	Furniture and fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>											
Balance at 1 Jan 2018	266,698	13,084	1,919,162	15,017	176,772	1,231,612	17,060	18,471	316,855	71,367	4,046,098
Additions	282	152	10,577	-	3,326	-	2,323	73	20,381	113,519	150,633
Disposals	-	-	(66,387)	-	-	-	(1,206)	-	(101)	-	(67,694)
Transfers	170	-	154,350	-	-	-	-	-	19,742	(182,542)	(8,280)
<b>Balance at 31 Dec 2018</b>	<b>267,150</b>	<b>13,236</b>	<b>2,017,702</b>	<b>15,017</b>	<b>180,098</b>	<b>1,231,612</b>	<b>18,177</b>	<b>18,544</b>	<b>356,877</b>	<b>2,344</b>	<b>4,120,757</b>
<b>Balance at 1 Jan 2019</b>	<b>267,150</b>	<b>13,236</b>	<b>2,017,702</b>	<b>15,017</b>	<b>180,098</b>	<b>1,231,612</b>	<b>18,177</b>	<b>18,544</b>	<b>356,877</b>	<b>2,344</b>	<b>4,120,757</b>
Additions	-	-	12,346	-	1,294	-	3,760	666	10,257	35,464	63,787
Disposals	-	-	(188)	-	-	-	(21)	-	(210)	-	(419)
Transfers	-	-	-	-	-	-	-	-	21,380	(21,380)	-
Transfers to right of use assets	(127,040)	-	-	-	-	-	-	-	-	-	(127,040)
Write off	-	-	-	-	(4,282)	-	-	(75)	-	(17)	(4,374)
<b>Balance at 31 Dec 2019</b>	<b>140,110</b>	<b>13,236</b>	<b>2,029,860</b>	<b>15,017</b>	<b>177,110</b>	<b>1,231,612</b>	<b>21,916</b>	<b>19,135</b>	<b>388,304</b>	<b>16,411</b>	<b>4,052,711</b>

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

5 Aircraft, property and equipment (continued)

	Buildings AED'000	Commercial aircraft facility leasehold improvements AED'000	Helicopters, aircraft and major rotables AED'000	Cargo aircraft building AED'000	Cargo aircraft and spares AED'000	Commercial aircraft AED'000	Commercial aircraft rotable parts and repairs AED'000	Furniture and fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
<b>Accumulated depreciation and impairment</b>											
Balance at 1 Jan 2018	87,466	11,893	720,867	5,406	82,722	238,167	1,458	16,694	244,102	-	1,408,775
Charge for the year	8,127	534	55,455	600	10,406	56,377	907	712	26,600	-	159,718
Eliminated on disposals	-	-	(49,172)	-	-	-	-	-	(100)	-	(49,272)
Impairment	-	-	16,078	-	-	-	-	-	-	-	16,078
<b>Balance at 31 Dec 2018</b>	<b>95,593</b>	<b>12,427</b>	<b>743,228</b>	<b>6,006</b>	<b>93,128</b>	<b>294,544</b>	<b>2,365</b>	<b>17,406</b>	<b>270,602</b>	-	<b>1,535,299</b>
Balance at 1 Jan 2019	95,593	12,427	743,228	6,006	93,128	294,544	2,365	17,406	270,602	-	1,535,299
Charge for the year	3,828	518	58,849	600	21,347	59,322	1,063	495	33,295	-	179,317
Eliminated on disposals	-	-	(188)	-	-	-	(21)	-	(210)	-	(419)
Impairment	-	-	-	-	-	17,820	-	-	-	-	17,820
Transfers to right of use assets	(31,760)	-	-	-	-	-	-	-	-	-	(31,760)
Write off	-	-	-	-	(4,282)	-	-	(70)	-	-	(4,352)
<b>Balance at 31 Dec 2019</b>	<b>67,661</b>	<b>12,945</b>	<b>801,889</b>	<b>6,606</b>	<b>110,193</b>	<b>371,686</b>	<b>3,407</b>	<b>17,831</b>	<b>303,687</b>	-	<b>1,695,905</b>
<b>Carrying amount</b>											
At 31 Dec 2018	171,557	809	1,274,474	9,011	86,970	937,068	15,812	1,138	86,275	2,344	2,585,458
At 31 Dec 2019	72,449	291	1,227,971	8,411	66,917	859,926	18,509	1,304	84,617	16,411	2,356,806



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**5 Aircraft, property and equipment (continued)**

- i) As at 31 December 1992, certain helicopters and major rotables were fully depreciated. Consequently, during 1993, management revalued helicopters and major rotables to market value on the basis of industry quotations. The helicopter revaluations were based on the "Official Helicopter Blue Book" and a valuation report prepared by Nash Helicopter Associates Limited. The major rotables revaluations were based on original cost and valuations performed by Canadian Gas Turbines. The carrying value and accumulated depreciation were adjusted to reflect this revaluation. As at 31 December 2019, the net carrying value of the revalued helicopters and major rotables are AED 20.5 million (2018: AED 20.5 million).
- ii) In 2011, the Group entered into a finance lease arrangement which resulted in the recognition of a residential complex building at the present value of the related minimum lease payments amounting to AED 127 million. On application of IFRS 16, the carrying value of the building amounting to AED 95.28 million was transferred to right of use asset (Note 8).
- iii) During the year, as the result of the operational losses of the G5000 fleet, the Group carried out a review of the recoverable amount of that fleet. These assets are used in the Group's Commercial Aircraft reportable segment. The review led to the recognition of an impairment loss of AED 17.8 million, which has been recognised in profit or loss. The Group estimated the fair value less costs of disposal of the fleet, based on valuations performed by an independent valuer. The fair value less costs of disposal is higher than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their fair value less cost of disposal. An impairment assessment was performed in 2018 and there was no indication of impairment on G5000 fleet.
- iv) Certain property and equipment with a carrying amount of AED 1,117 million (2018: AED 1,143 million) are mortgaged to the lending banks.
- v) Aircraft, property and equipment is operated from the Group's base in the UAE.
- vi) The Group has conducted a review of cargo aircraft engines and airframes resulting in an decrease in the useful life of such items. The effect of the change in useful life resulted in a lower depreciation charge of AED 11 million for 2019 and it is expected that the depreciation charge for 2020 will be lower by AED 14.7 million.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**6 Investment properties**

Investment properties represent investment in a property located in Khalifa City, Abu Dhabi and premises located in Al Rawdhat, Abu Dhabi. The property in London was registered in the name of Herbal Hill Gardens Limited, a company incorporated in Gibraltar for the purpose of owning the investment property and wholly owned by the Group.

	2019 AED '000	2018 AED '000
Balance at 1 January	410,363	355,614
Increase in fair value – London property	-	15,239
Investment properties – Al Rawdhat	189	303
Investment property under construction	38,390	46,949
Disposal of London property	(139,811)	-
Increase in fair value - Khalifa City	9,000	-
Net foreign currency translation difference	-	(7,742)
<b>At 31 December</b>	<b>318,131</b>	<b>410,363</b>

The fair value of the investment property for Khalifa city is arrived at on the basis of valuations carried out by independent valuers not connected with the Group. The valuers are members of a professional valuers' association, with appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The fairvalue of investment property at Al Rawdhat is based on an inhouse valuation done by the management.

In November 2018, the Group had entered into an agreement for the sale of investment property in London through Herbal Hill Gardens Limited (a company wholly owned by the Group). The sale transaction was completed by 11 January 2019 and the Group has received GBP 30 million against the sale amount on the same date. No gain or loss has been recognised in the books of foreign subsidiary.

Investment property under construction represents two plots in Satwa Redevelopment Zone, Dubai. The purchase of these plots was completed in March 2018. Further payments for the construction of buildings are being capitalised as investment property under construction until the completion of construction of buildings over the plots.

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant Unobservable input(s) and its relationship to fair value	Sensitivity
Residential property located at Rawdhat	Level 2	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7% per cent (2018: 7% per cent).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Land located at Khalifa City	Level 2	Market Approach	Comparable market prices	A slight increase in the per square foot rate used would result in a significant increase in fair value, and vice versa.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**7 Investments**

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

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Equity securities – designated at FVTPL	<b>21,236</b>	18,416
Corporate debt securities – designated at FVTOCI	-	69,699
	<hr/>	<hr/>
<b>At 31 December</b>	<b>21,236</b>	88,115
	<hr/>	<hr/>
	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Balance at 1 January	<b>88,115</b>	54,740
Purchase of investments	-	37,745
Disposal of corporate debt securities – at FVTOCI	<b>(71,724)</b>	-
Change in fair value of investment - at FVTPL	<b>2,820</b>	15
Change in fair value of investment - at FVTOCI	<b>2,025</b>	(4,385)
	<hr/>	<hr/>
<b>At 31 December</b>	<b>21,236</b>	88,115
	<hr/>	<hr/>

The Group's investments represent the investments in shares and bonds of the following:

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Investment in Waha CEEMEA Fixed Income Fund SP	<b>21,236</b>	18,416
	<hr/>	<hr/>
Investment in Abu Dhabi Commercial Bank (ADCB) bonds	-	69,699
	<hr/>	<hr/>

The Group has disposed off its investment in ADCB bonds at the net loss of AED 2.4 million during the year ended 31 December 2019.

Refer to note 30 for information on the fair value hierarchy of the financial assets.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**8 Right of use asset**

	<b>Building AED '000</b>	<b>Aircraft AED '000</b>	<b>Total AED '000</b>
<b>Cost</b>			
At 1 January 2019	-	-	-
Addition on upon adoption of IFRS 16	129,817	9,030	138,847
<b>At 31 December 2019</b>	<b>129,817</b>	<b>9,030</b>	<b>138,847</b>
<b>Accumulated amortisation</b>			
At 1 January 2019	-	-	-
Amortisation for the year	7,535	5,493	13,028
<b>At 31 December 2019</b>	<b>7,535</b>	<b>5,493</b>	<b>13,028</b>
<b>Carrying value at 31 December 2019</b>	<b>122,282</b>	<b>3,537</b>	<b>125,819</b>
			<b>2019 AED '000</b>
Non-current portion			115,246
Current portion			10,573
<b>Carrying value at 31 December 2019</b>			<b>125,819</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**9 Investment in a joint venture**

The Group has a 70% equity shareholding with equal voting power in AgustaWestland Aviation Services L.L.C. (AWAS), a joint venture established in the Emirate of Abu Dhabi, UAE as a limited liability company. AWAS is engaged to undertake repairs, overhaul, customisation, modification and upgrading of helicopters; and sale of helicopter spare parts and accessories.

The following table summarises the financial information of the joint venture and also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint ventures.

	<b>2019</b> <b>AED '000</b>	2018 AED '000
Total assets	<b>160,097</b>	143,649
Total liabilities	<b>(77,327)</b>	(67,014)
<b>Net assets</b>	<b>82,770</b>	76,635
Revenue	<b>93,996</b>	112,852
Profit for the year	<b>6,134</b>	9,652

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	<b>2019</b> <b>AED '000</b>	2018 AED '000
Net assets	<b>82,770</b>	76,635
Carrying amount of interest in joint venture (70%)	<b>57,939</b>	53,645

**10 Joint operations**

The Group has a material joint operation with CAE Inc. (refer note 4 for critical judgement used by the management). The Group has a 50% per cent share in the ownership of simulators in an aviation training facility. The Group is entitled to a proportionate share of the profits earned and bears a proportionate share of the joint operation's expenses.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**11 Trade receivables**

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Trade receivables	<b>692,413</b>	542,402
Due from related parties (note 12)	<b>23,422</b>	49,563
	<b>715,835</b>	591,965
Less: Allowance for impairment losses recognised	<b>(81,346)</b>	(52,352)
	<b>634,489</b>	539,613

The change in allowance for impairment losses recognised on trade receivables is as follows:

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
At 1 January	<b>52,352</b>	45,477
Charge for the year	<b>29,864</b>	12,836
Write off	-	(5,890)
Recovery	<b>(870)</b>	(71)
<b>At 31 December</b>	<b>81,346</b>	52,352

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 30.

Included in the Group's trade receivables are receivable from customers and related parties that are past due for more than 180 days with a carrying amount of AED 165.9 million (2018: AED 172.3 million) mostly due from Government related entities.

Ageing of trade receivables and due from related parties

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Not past due	<b>253,283</b>	162,538
Due for 31 to 90 days	<b>215,215</b>	136,311
Due for 91 to 180 days	<b>81,386</b>	120,795
Due for more than 180 days	<b>165,951</b>	172,321
	<b>715,835</b>	591,965

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**12 Related parties**

Related parties comprise the Shareholders, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group's significant related party services provided transactions and balances are as follows:

*Transactions and balances with related parties through Royal Jet L.L.C.*

	<b>2019 AED'000</b>	2018 AED'000
Services provided	<b>232,748</b>	216,740
Amounts due from related parties	<b>21,946</b>	49,486

*Transactions and balances with related parties through the Company*

	<b>2019 AED'000</b>	2018 AED'000
Services provided	<b>80,485</b>	76,753
Amounts due from related parties	<b>1,476</b>	77
Amounts due to related parties	<b>23,132</b>	9,178

***Total transactions and balances with related parties***

Transactions with related parties during the year were as follows:

	<b>2019 AED'000</b>	2018 AED'000
Services provided	<b>313,233</b>	293,493
Amounts due from related parties	<b>23,422</b>	49,563
Amounts due to related parties	<b>23,132</b>	9,178
Finance cost on finance lease of aircraft	<b>-</b>	63

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**12 Related parties**

**Key management compensation**

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24.

	<b>2019</b> <b>AED '000</b>	2018 AED '000
Salaries and other short-term employee benefits	<b>19,021</b>	18,867
Directors' fees ( <i>Note 27</i> )	<b>12,660</b>	10,778
Provision for employees' end of service benefits	<b>1,359</b>	2,216

**13 Contract assets, prepayments and other current assets**

	<b>2019</b> <b>AED '000</b>	2018 AED '000
Contract assets	<b>150,571</b>	95,070
Prepayments	<b>43,142</b>	14,437
Deposits and advances	<b>66,624</b>	47,807
Other receivables	<b>3,799</b>	21,684
	<b>264,136</b>	178,998



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**14 Cash and bank balances**

Bank balances and cash included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	<b>2019</b> <b>AED '000</b>	2018 AED '000
Cash on hand	<b>4,795</b>	3,103
Short term deposits	<b>421,859</b>	290,585
Balances at current accounts	<b>290,554</b>	180,535
	<hr/>	<hr/>
Cash and bank balances	<b>717,208</b>	474,223
Less: deposits with maturities over three months	<b>(421,859)</b>	(290,585)
	<hr/>	<hr/>
<b>Cash and cash equivalents</b>	<b>295,349</b>	183,638
	<hr/>	<hr/>

Cash and bank balances include an amount of AED 115.3 million (2018: AED 16.4 million) held in foreign banks abroad and the remaining balance is held within the UAE.

**15 Asset classified as held for sale**

During 2019, the Group has disposed aircraft held for sale for total proceeds of AED 11.9 million with gain on disposal amounted to AED 2.9 million recorded in the consolidated statement of profit or loss.

**16 Share capital**

The share capital structure is as follows:

	<b>2019</b> <b>AED '000</b>	2018 AED '000
<b>Authorised, issued and fully paid:</b>		
444,787,200 shares of AED 1 each		
(2018: 444,787,200 shares of AED 1 each)	<b>444,787</b>	444,787
	<hr/>	<hr/>

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

17 Reserves	Revaluation reserve AED'000	Translation reserve AED'000	Fleet replacement reserve AED'000	Insurance reserve AED'000	Legal reserve AED'000	Investment revaluation reserve AED'000	General reserve AED'000	Other reserves AED'000	Total reserves AED'000
Balance at 1 Jan 2018	28,219	(22,288)	912,686	417,769	222,394	-	102,586	101,041	1,762,407
Foreign currency translation differences	-	(7,742)	-	-	-	-	-	-	(7,742)
Loss arising on fair value of investments at FVTOCI	-	-	-	-	-	(4,385)	-	-	(4,385)
Transfer to legal reserve in subsidiaries	-	-	-	-	-	-	-	23,253	23,253
Transfer to maintenance and fleet replacement reserve	-	-	100,000	-	-	-	-	-	100,000
<b>Balance at 31 Dec 2018</b>	<b>28,219</b>	<b>(30,030)</b>	<b>1,012,686</b>	<b>417,769</b>	<b>222,394</b>	<b>(4,385)</b>	<b>102,586</b>	<b>124,294</b>	<b>1,873,533</b>
Balance at 1 Jan 2019	28,219	(30,030)	1,012,686	417,769	222,394	(4,385)	102,586	124,294	1,873,533
Foreign currency translation differences	-	5,278	-	-	-	-	-	-	5,278
Gain arising on fair value of investments at FVTOCI	-	-	-	-	-	2,025	-	-	2,025
Transfer to legal reserve in subsidiaries	-	-	-	-	-	-	-	27,530	27,530
Cumulative loss on investment in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal	-	-	-	-	-	2,360	-	-	2,360
Reclassification of translation reserve	-	8,407	-	-	-	-	-	-	8,407
<b>Balance at 31 Dec 2019</b>	<b>28,219</b>	<b>(16,345)</b>	<b>1,012,686</b>	<b>417,769</b>	<b>222,394</b>	<b>-</b>	<b>102,586</b>	<b>151,824</b>	<b>1,919,133</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**17 Reserves (continued)**

**(a) Revaluation reserve**

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

**(b) Translation reserve**

Foreign currency translation reserve represents translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's currency.

**(c) Fleet replacement reserve**

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

**(d) Insurance reserve**

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

**(e) Legal reserve**

The Articles of Association of the Company require 10% of the annual profit to be transferred to a legal reserve until such reserve amounts to 50% of the share capital of the Company. In addition, the subsidiaries are required in accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the subsidiaries' Articles of Association, 10% of the subsidiaries' profit is transferred to an undistributable statutory reserve until such reserve equals 50% of paid up capital of the subsidiaries. This reserve is not available for distribution. The Group's legal reserve represents the Company's legal reserve computed on the basis disclosed above in addition to the Group's share of legal reserve of subsidiaries.

The statutory reserves of the subsidiaries have been transferred to the restricted reserve as these amounts are not available for distribution.

**(f) Investment revaluation reserve**

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

**(g) General reserve**

Transfers to and from the general reserve are made in accordance with the decision of the Board of Directors and approved by the shareholders.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**18 Dividends**

The Board of Directors in its meeting held on 4 February 2020 proposed cash dividend of AED 0.20 per ordinary share (20% of par value) amounting to AED 88.9 million (2018: AED 0.20 per ordinary share, (20% of par value) and amounting to AED 88.9 million The Board of Directors will request approval of the shareholders for the cash dividends of the year 2019 at the annual general assembly meeting to be held in 25 February 2020.

**19 Non-controlling interest**

	<b>2019</b>	2018
	<b>AED '000</b>	AED '000
At 1 January	<b>321,578</b>	268,522
Share of profit for the year	<b>55,011</b>	53,056
<b>At 31 December</b>	<b>376,589</b>	321,578

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**19 Non-controlling interest (continued)**

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations.

**Royal Jet LLC**

	2019 AED '000	2018 AED '000
<b>NCI percentage</b>	<b>50%</b>	<b>50%</b>
Non-current assets	998,809	1,063,779
Current assets	490,369	394,000
Non-current liabilities	(529,475)	(628,377)
Current liabilities	(206,526)	(186,246)
<b>Net assets</b>	<b>753,177</b>	<b>643,156</b>
Net assets attributable to NCI	376,589	321,578
Revenue	661,002	623,515
Profit	110,022	106,112
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>110,022</b>	<b>106,112</b>
Profit allocated to NCI	55,011	53,056
Other comprehensive income allocated to NCI	-	-
Cash flows from operating activities	164,885	116,798
Cash flows used in investing activities	(35,032)	(36,312)
Cash flows used in financing activities	(86,688)	(98,170)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43,165</b>	<b>(17,684)</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**20 Provision for employees' end of service benefits**

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

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
At 1 January	145,462	142,519
Charge for the year	21,211	22,804
Payments made for the year	(12,099)	(19,861)
Transfer from related party	119	-
<b>At 31 December</b>	<b>154,693</b>	<b>145,462</b>

**21 Term loans**

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
Current portion	96,549	362,292
Non-current portion	628,143	489,225
<b>At 31 December</b>	<b>724,692</b>	<b>851,517</b>

The movement in term loans is as follows:

	<b>2019</b> <b>AED '000</b>	<b>2018</b> <b>AED '000</b>
At 1 January	851,517	878,141
Drawdown during the year	285,000	50,000
Repayments during the year	(411,825)	(76,624)
<b>At 31 December</b>	<b>724,692</b>	<b>851,517</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**21 Term loans (continued)**

AED 1.3 billion term loan

In 2007, a loan facility was obtained by the Group from a local bank for an amount of AED 1.3 billion to finance the acquisition of new aircraft and related assets. There was no additional drawdown during the year. The facility is secured by a negative pledge by the mortgage over the aircraft. In 2013, the Group agreed with a local bank on amendments of term of the loan agreement. Interest rate on the loan was 3 months EIBOR plus 1.75% per annum and loan shall be repaid in 12 semi-annual installments (principal and interest) of AED 51.3 million effective 30 June 2013. The final repayment date shall be 31 December 2018. During 2014, the Group agreed with the local bank to further amend the interest rate on the loan to 3 months EIBOR plus 1.5%. Also, during 2014, the Group has deferred the second semi-annual installment payment amounting to AED 51.3 million.

During 2015, the Group agreed with the local bank on another amendment of the term loan agreement. Effective 29 January 2015, the term loan shall be repaid in 7 semi-annual installments (principal and interest) of AED 51.3 million starting on 31 December 2015. During the year, the outstanding balance of this loan has been settled in full through obtaining the below mentioned new loan.

AED 285 million term loan

During the year, the Group has entered into an restructuring arrangement with a local bank to repay all outstanding payments which was obtained from another local bank previously related to the above loan. The above mentioned loan was repaid from the funds drawn down from this new loan. The new loan is repayable in twenty semi-annual installments. The first principal repayment was made on 31 December 2019. The interest is calculated by reference to three month EIBOR plus 1.25% per annum. As at 31 December 2019, the outstanding balance of this facility is amounted to AED 273 million.

AED 50 million term loan

During 2018, a term loan from a local bank amounting to AED 50 million was obtained to finance 50% of the purchase cost of two AW139 helicopters. The loan was repayable in twenty four equal quarterly installments. The first principal repayment has started from August 2018, six months from the date of loan drawdown. Residual balance of principal or interest, if any, was to be settled on the final maturity date. The interest is calculated by reference to three month EIBOR plus 1.40% per annum. During the year, the outstanding balance of the term loan has been settled in full (2018: AED 45.8 million).

AED 297.7 million term loans of Royal Jet L.L.C.

Two term loans from a local bank amounting to AED 297.7 million to finance the acquisition of two commercial aircraft. The loans are repayable in 40 equal quarterly installments. The interest is calculated by reference to three month LIBOR plus 1.75% per annum. As at 31 December 2019, the outstanding balance of the term loan amounted to AED 145 million (2018: AED 174.8 million).

AED 429.2 million term loan of Royal Jet L.L.C.

A term loan from a local bank amounting to AED 429.2 million to finance the acquisition of a commercial aircraft. The loan is repayable in 40 equal quarterly installments. The interest is calculated by reference to three month LIBOR plus 1.3% per annum. As at 31 December 2019, the outstanding balance of the term loan amounted to AED 306.7 million (2018: AED 391.5 million).

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**22 Lease liabilities/ finance lease liabilities**

	2019 AED '000	2018 AED '000
<b>Balance at 1 January</b>	-	-
Initial recognition of lease liabilities	165,022	-
Payments	(11,458)	-
	<hr/>	<hr/>
<b>Balance at 31 December</b>	153,564	-
Current	(12,622)	-
	<hr/>	<hr/>
Non-current	140,942	-
	<hr/>	<hr/>
<b>Maturity analysis</b>		
1 year	21,418	-
2 year	15,119	-
3 year	14,855	-
4 year	14,855	-
5 years	14,855	-
Later than 5 years	201,628	-
	<hr/>	<hr/>
	282,730	-
Less: unearned interest	(129,166)	-
	<hr/>	<hr/>
	153,564	-
	<hr/>	<hr/>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Disclosure applicable as per IAS 17 are as follows:

	2019 AED '000	2018 AED '000
Residential complex finance lease	-	115,121
	<hr/>	<hr/>
	-	115,121
Less: non-current portion	-	(113,881)
	<hr/>	<hr/>
Current portion	-	1,240
	<hr/>	<hr/>



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**22 Lease liabilities/ finance lease liabilities (continued)**

Amounts payable under finance leases:

	Minimum lease payments		Interest		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Within one year	-	10,250	-	9,010	-	1,240
Between one and five years	-	55,250	-	34,689	-	20,561
After five years	-	180,000	-	86,680	-	93,320
	<u>-</u>	<u>245,500</u>	<u>-</u>	<u>130,379</u>	<u>-</u>	<u>115,121</u>

Interest rate on the aircraft finance lease is 6 months LIBOR plus 0.75%.

**23 Deferred income**

	2019 AED '000	2018 AED '000
At 1 January	262,714	317,937
Amortisation of sale and lease back deferred income	-	(15,048)
Release of deferred grant on assets sold during the year	-	(4,421)
Amortisation of deferred income	(35,295)	(35,754)
Release of deferred grant on transfer of asset to Right of use asset during the year	(13,425)	-
<b>At 31 December</b>	<b>213,994</b>	<b>262,714</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**23 Deferred income (continued)**

Included in the consolidated statement of financial position as:

	2019 AED '000	2018 AED '000
Current portion	35,295	49,209
Non-current portion	178,699	213,505
	<hr/>	<hr/>
<b>Total deferred income</b>	<b>213,994</b>	<b>262,714</b>
	<hr/>	<hr/>

During 2014, the Presidential Flight Authority, a related party, transferred 5 commercial aircraft to the Group pursuant to a grant effective from 1 January 2014. The deferred income relating to the aircraft was recognised at AED 489.1 million. Previously, these commercial aircraft were under operating lease.

During 2017, deferred income amortised amounts to AED 52.3 million and is recognised to profit or loss to match the costs for which they are intended to compensate on a systematic basis.

During the 3rd Quarter of year 2017, the Group sold and leased back an aircraft, which resulted in the deferral of the proceeds in excess of fair value of the aircraft of AED 9.6 million.

**24 Trade and other payables**

	2019 AED '000	2018 AED '000
Trade payables	115,672	95,822
Due to related parties (note 12)	23,132	9,178
	<hr/>	<hr/>
	<b>138,804</b>	<b>105,000</b>
	<hr/>	<hr/>

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**25 Revenue from contracts with customers**

**(i) Revenue streams**

The Group has been established to own helicopter and fixed wing aircraft for use both within and outside the United Arab Emirates and undertake charter, commercial, air cargo and other related services.

The Group generates revenue primarily from the aviation services. Other sources of revenue include training of pilots, rental income from investment properties and other management consultancy services.

	2019 AED '000	2018 AED '000
<b>Revenue from contracts with customers</b>	<b>2,081,716</b>	<b>1,806,762</b>

**(ii) Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by primary service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments as explained in note 34.

Particulars	Helicopter & fixed wing operations AED'000	Commercial aircraft operations AED'000	Air cargo AED'000	Investments AED'000	Others AED'000	Eliminations AED'000	Total AED'000
Fixed wing	15,923	563,787	185,877	-	-	-	765,587
Rotary wing	299,167	-	-	-	-	-	299,167
Sub-charter	-	32,172	541,486	-	-	-	573,658
Others	309,680	65,043	33,475	-	63,203	(28,097)	443,304
<b>Total</b>	<b>624,770</b>	<b>661,002</b>	<b>760,838</b>	<b>-</b>	<b>63,203</b>	<b>(28,097)</b>	<b>2,081,716</b>

**(iii) Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019 AED '000	2018 AED '000
Receivables, which are included in 'trade and other receivables' (note 11)	692,413	539,613
Contract assets (note 13)	150,571	95,070
Contract liabilities	5,678	12,857
	<b>848,662</b>	<b>647,540</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**25 Revenue from contracts with customers (continued)**

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The amount of contract assets during the period ended 31 December 2019 was not impacted materially by an impairment charge. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for contracts against which services will be rendered in future. This will be recognised as revenue when the services are rendered to customers.

**26 Operating costs**

	2019 AED '000	2018 AED '000
Operating and maintenance costs	886,601	730,332
Staff costs	344,977	344,412
Depreciation	170,745	146,799
Other expenses	159,487	157,023
	<u>1,561,810</u>	<u>1,378,566</u>

Operating and maintenance costs include inventories consumption amounting to AED 44.9 million (2018: AED 39 million).

**27 General and administrative expenses**

	2019 AED '000	2018 AED '000
Staff costs	110,461	123,268
Depreciation	8,572	12,919
Licensing and professional fees	10,347	13,858
Directors' fees (note 12)	12,660	10,778
Others	63,434	39,757
	<u>205,474</u>	<u>200,580</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**28 Basic and diluted earnings per share**

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

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

	2019	2018
Profit attributable to owners of the Company (AED '000)	<b>246,194</b>	231,425
Weighted average number of shares in issue	<b>444,787,000</b>	444,787,000
Earnings per share (AED)	<b>0.55</b>	0.52

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share is equal to basic earnings per share.

**29 Granted plots of land**

Future economic benefit established

In prior years, the Abu Dhabi Government had granted the Company two plots of land located in Khalifa City, Abu Dhabi.

The granted plots of land location in Khalifa City, Abu Dhabi had been identified and use for the purpose of construction of a training center and accordingly, had been recorded as aircraft, property and equipment (note 5) at nominal value at AED 1.

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

30 Financial instruments – Fair values and risk management

a) Classes and categories of financial instruments and their fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

At 31 December 2019	Carrying amounts			Fair values			
	FVTPL - equity instruments AED'000	FVTOCI - debt instruments AED'000	Measured at amortised cost AED'000	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>Financial assets measured at fair value</b>							
Investment in Waha CEEMEA Fixed Income Fund SP	21,236	-	-	21,236	-	21,236	-
	<u>21,236</u>	<u>-</u>	<u>-</u>	<u>21,236</u>	<u>-</u>	<u>21,236</u>	<u>-</u>
							<u>21,236</u>
<b>Financial assets not measured at fair value</b>							
Trade receivables	-	-	634,489	634,489	-	-	-
Contract assets and other current assets	-	-	168,949	168,949	-	-	-
Cash and bank balances	-	-	717,208	717,208	-	-	-
	<u>-</u>	<u>-</u>	<u>1,520,646</u>	<u>1,520,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>							
Trade and other payables	-	-	(138,804)	(138,804)	-	-	-
Term loans	-	-	(724,692)	(724,692)	-	-	-
Lease liabilities	-	-	(153,564)	(153,564)	-	-	-
	<u>-</u>	<u>-</u>	<u>(1,017,060)</u>	<u>(1,017,060)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

30 Financial instruments – Fair values and risk management (continued)

a) Classes and categories of financial instruments and their fair values (continued)

At 31 December 2018	Carrying amounts			Fair values		
	FVTPL - equity instruments AED'000	FVTOCI - debt instruments AED'000	Measured at amortised cost AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>Financial assets measured at fair value</b>						<b>Total AED'000</b>
Investment in Waha CEEMEA	18,416	-	-	-	18,416	18,416
Fixed Income Fund SP	-	69,699	-	69,699	-	69,699
Investment in ADCB bonds	18,416	69,699	-	69,699	18,416	88,115
<b>Financial assets not measured at fair value</b>						
Trade receivables	-	-	539,613	-	-	-
Contract assets and other current assets	-	-	118,236	-	-	-
Cash and bank balances	-	-	474,223	-	-	-
	-	-	1,132,072	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	-	-	(105,000)	-	-	-
Term loans	-	-	(851,517)	-	-	-
Finance lease liabilities	-	-	(115,121)	-	-	-
Accrued expenses and other current liabilities	-	-	(130,654)	-	-	-
	-	-	(1,202,292)	-	-	-

There were no transfers between Level 1 and 2 during the current or period year.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**a) Classes and categories of financial instruments and their fair values (continued)**

***Fair value measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Valuation techniques and assumptions applied for the purposes of measuring fair value.

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

<b>Financial assets/ Financial liabilities</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant Unobservable input(s) and its relationship to fair value</b>
Investment in Waha CEEMEA Fixed Income Fund SP	Market approach determined thorough NAV	NA	NA
Investment in ADCB bonds	Quoted bid prices in an active market.	NA	NA

Except as detailed in the following table, management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**b) Financial risk management**

The Group's Board of Directors function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

The Group Board of Directors oversees the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The Group Audit Committee is assisted in its oversight role by internal audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**(i) Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. 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 financial instruments.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

*Currency risk*

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group's exposure to the currency risk is principally from the Group's transactions in Pound sterling ("GBP") as AED is currently pegged to USD at a fixed rate of exchange.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Pound sterling	<u>115,307</u>	<u>186,760</u>	<u>93</u>	<u>2,133</u>

The following paragraph details the Group's sensitivity to a 5% per cent increase and decrease in currency units against Pound Sterling. 5% per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% per cent change in foreign currency rates.

At 31 December 2019, if GBP had weakened/strengthened by 5% against the AED with all other variables held constant, profit for the year would have been AED 8.1 million (2018: AED 7.8 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash and cash equivalent. Profit is more sensitive to movement in GBP/AED exchange rates in 2019 than 2018 because of the increased in foreign currency rates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during theyear.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

*Equity price risk*

The Group is exposed to equity price risks arising from equity investments. The Group monitors the risk of change in equity prices by sensitivity analysis taking 15% change due to the volatile nature of the market in which the securities are listed. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 15% higher/lower, the Group's other comprehensive income would increase/decrease as follows:

	2019 AED'000	2018 AED'000
FVTOCI Investment	-	10,455
FVTPL Investment	3,185	2,762

*Interest rate risk*

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

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's net profit and equity for the year ended 31 December 2019 would decrease/increase by approximately AED 6 million (2018: AED 4.3 million). The Group's sensitivity to interest rates has increased in line with the increase in interest bearing debt instruments.

**(ii) 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 customers, bank balances and corporate debt securities.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

**(ii) Credit risk**

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the Central Bank.

Trade receivables from government related entities in the UAE is AED 424.2 million (2018: AED 271.8 million) which represents 61% (2018: 45.9%) respectively, of the total trade receivables at the end of reporting period. Included in the trade receivables balance at the end of the year is an amount of AED 23.4 million (2018: AED 49.6 million) due from related parties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

**(ii) Credit risk**

31 December 2019	External credit ratings	Internal credit ratings	Note	12 months or lifetime ECL	Gross carrying amount AED '000	loss allowance AED '000	Net carrying amount AED '000
Due from related parties	N/A	(i)	12	Lifetime ECL	23,422	-	23,422
Government receivables	N/A	(ii)	11	Lifetime ECL	424,214	( 6,426)	417,788
Non-government receivables	N/A	(iii)	11	Lifetime ECL	268,199	(74,920)	193,279
Contract assets	N/A	(ii)	13	Lifetime ECL	150,571	-	150,571
Bank balances	Aa3	N/A	14	12 months ECL	712,413	-	712,413

- (i) For due from related parties, the Group has used simplified approach in IFRS 9 to measure loss allowance at lifetime ECL. The Group determines the expected credit losses based on probability of default and loss given default of the Government of Abu Dhabi as these parties are secured by the Government of Abu Dhabi. These balances are the represented of the recent transaction, therefore, the Group has not identified material impact of loss allowance on due from related party balances.
- (ii) For trade receivables from government customers, the Group has used simplified approach in IFRS 9 to measure loss allowance at lifetime ECL. The Group determines the expected credit losses at the rate of 1.51% based on probability of default and loss given default of the Government of Abu Dhabi as these parties are secured by the Government of Abu Dhabi.
- (iii) For non-government trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the customers, adjusted as appropriate to reflect current market conditions and estimates of future economic conditions. As part of individual assessment, the Group has estimated expected credit losses by reference to past default experience with the customer, an analysis of the customer's current financial position, adjusted for the factors that are specific to the customer, general economic and political conditions applicable to customer along with correspondences and future outlook as at reporting date. The Group has recognised loss allowance of 10.63% against all receivables after individually assessing some customers based on their individual credit risk.

The loss allowance on corporate bonds measured at FVTOCI was recognised against other comprehensive income and accumulated in the investment revaluation reserve which is released to profit or loss account upon disposal of debt instruments. The carrying amount of the Group's financial assets at FVTPL as disclosed in note 7 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

As at 31 December, maximum exposure to credit risk was as follows:

	2019 AED'000	2018 AED'000
Trade receivables	634,489	539,613
Cash and bank balances	717,208	474,223
Investment in ADCB bonds	-	69,699
Investment in Waha CEEMEA Fixed Income Fund SP	21,236	18,416
Contract assets and other current assets	168,949	118,236
	<u>1,541,882</u>	<u>1,220,187</u>

**(iii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and funds, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities at the end of reporting period based on contractual repayment arrangements was as follows:

	Effective interest rate	Carrying value AED'000	Total AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000
<b>2019</b>							
Non-interest bearing instruments		175,723	175,723	175,723	-	-	-
Variable interest rate instruments	Note 21 and 22	838,573	1,017,796	30,361	78,411	466,552	442,472
		<u>1,014,296</u>	<u>1,193,519</u>	<u>206,084</u>	<u>78,411</u>	<u>466,552</u>	<u>442,472</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**30 Financial instruments – Fair values and risk management (continued)**

**b) Financial risk management (continued)**

**(iii) Liquidity risk**

	Effective interest rate	Carrying value AED'000	Total AED'000	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	More than 5 years AED'000
<b>2018</b>							
Non-interest bearing instruments		235,654	235,654	235,654	-	-	-
Variable interest rate instruments	<b>Note 21 and 22</b>	1,046,393	1,196,691	39,277	368,886	466,837	321,691
		<u>1,282,047</u>	<u>1,432,345</u>	<u>274,931</u>	<u>368,886</u>	<u>466,837</u>	<u>321,691</u>

**c) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013. The capital structure of the Group consists of debt, which includes the term loans, cash and bank balances and equity comprising share capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio, determined as net debt to equity, at the year-end was as follows:

	<b>2019</b> <b>AED'000</b>	<b>2018</b> <b>AED'000</b>
Debt (i)	<b>724,692</b>	851,517
Cash and bank balances ( <i>Note 14</i> )	<b>(717,208)</b>	(474,223)
Net debt	<u><b>7,484</b></u>	<u>377,294</u>
Equity (ii)	<u><b>3,044,193</b></u>	<u>2,877,293</u>
Net debt to equity ratio	<u><b>0%</b></u>	<u>13%</u>

- (i) Debt is defined as long and short term loans (*Note 21*).  
(ii) Equity includes all capital and reserves of the equity owners of the Company.

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)****31 Contingent liabilities**

As at 31 December 2019, the Group had outstanding contingent liabilities in respect of letters of guarantee amounting to AED 66.6 million (2018: *AED 87.6 million*).

**32 Commitments**

As at 31 December 2019, the Group had estimated commitments for the acquisition of aircraft, property and equipment of AED 178 million (2018: *AED 67.1 million*).

Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)

33 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity	
	Term loans AED'000	Finance lease liability AED'000	Lease liabilities AED'000	Retained earnings AED'000
Balance at 1 January 2018	878,141	116,269	-	427,438
Changes from financing cash flows				
Proceeds from term loans	50,000	-	-	-
Repayments of term loans	(76,624)	-	-	-
Payments for finance lease liabilities	-	(1,148)	-	-
Dividends paid	-	-	-	(88,957)
<b>Total changes from financing activities</b>	(26,624)	(1,148)	-	(88,957)
<b>Other changes</b>				
Total liability related changes	-	-	-	-
Total equity related changes	-	-	-	108,172
Balance at 31 December 2018	851,517	115,121	-	446,653
Changes from financing cash flows				
Transfer to lease liabilities from finance lease liability	-	(115,121)	115,121	-
Proceeds from term loans	285,000	-	-	-
Repayment of term loans	(411,825)	-	-	-
Payments for lease liabilities	-	-	(11,458)	-
Dividends paid	-	-	-	(88,957)
<b>Total changes from financing activities</b>	(126,825)	(115,121)	103,663	(88,957)
<b>Other changes</b>				
Total liability related changes	-	-	49,902	-
Total equity related changes	-	-	-	210,257
<b>Balance at 31 December 2019</b>	<b>724,692</b>	<b>-</b>	<b>153,565</b>	<b>567,953</b>
				<b>1,446,210</b>



**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**34 Segment information**

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

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

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

**Information about reportable segments:**

Particulars	Helicopter & fixed wing operations AED'000	Commercial aircraft operations AED'000	Air cargo AED'000	Investments AED'000	Others AED'000	Eliminations AED'000	Total AED'000
<b>2019</b>							
Revenue	624,770	661,002	760,838	-	63,203	(28,097)	2,081,716
Profit for the year	122,460	110,025	155,998	-	13,773	(101,051)	301,205
<b>2018</b>							
Revenue	616,633	623,515	549,687	-	42,964	(26,037)	1,806,762
Profit for + the year	119,873	106,112	102,826	15,779	9,884	(69,993)	284,481

The segment assets and liabilities were as follows:

<b>2019</b>							
Assets	3,138,489	1,439,679	802,991	339,367	266,336	(1,006,614)	4,980,248
Liabilities	784,323	729,827	73,013	-	37,655	(65,352)	1,559,466
<b>2018</b>							
Assets	3,027,368	1,416,664	640,633	498,478	250,730	(1,024,534)	4,809,339
Liabilities	828,140	815,454	54,990	-	13,377	(101,493)	1,610,468

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**35 Approval of consolidated financial statements**

The consolidated financial statements were approved by management and authorised for issue by the Board of Directors on 4 February 2020.