ABU DHABI AVIATION PJSC

Report and consolidated financial statements for the year ended 31 December 2022

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Report and consolidated financial statements
for the year ended 31 December 2022

Deloitte.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi Aviation PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, 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) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. 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 judgment, 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.

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

Key Audit Matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
Revenue recognition	
The Group reported revenue of AED 2,026.5 million for the year 31 December 2022 from services rendered to customers from aircraft operations, air cargo, revenue from manpower services and revenue from sale of spares. There is an inherent risk around the occurrence of revenue recognised given the complexity of the business services and consequently we considered this to be a key audit matter. 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. Refer to notes 3, 4 and 24 in the consolidated financial statements for the accounting policy and disclosure related to this matter.	Our audit approach included a combination of test of controls and substantive procedures as follows: • Obtained an understanding of the significant revenue processes and identifying relevant controls, IT systems and reports; • Obtained an understanding of the control environment and applications involved in the revenue recording process; • Evaluated the controls over the occurrence of revenue to determine if they had been appropriately designed and implemented and were operating effectively; • Performed tests on the occurrence of individual revenue transactions recognized during the year on a sample basis; • Performed analytical procedures on significant revenue streams; • Assessed the appropriateness of the Group's accounting policy against the requirements of IFRSs and the compliance of revenue recognized therewith; and • Assessed the disclosures in the consolidated financial statements against the requirements of IFRSs.

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

Key Audit Matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
Impairment of aircraft related assets	
The carrying value of aircraft, property and equipment includes AED 1,954.1 million as of 31 December 2022 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, worsened economic and financial prospects due to economic and other factors, and the extent of impairment, if any. 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. For the year ended 31 December 2022, the Group has recorded an impairment loss on its G5000 fleet (separate CGU) amounting to AED 9.1 million. Refer to notes 3, 4 and 5 in the consolidated financial statements for the accounting policy and disclosure related to this matter.	Our procedures included the following: • Obtained an understanding of the business process used to determine impairment indicators and the recoverable amount • Assessed the design and implementation of controls in this area. • For value in use calculations provided by management, our audit procedures included challenging estimates of net cash flows expected to be generated from these assets based on the assumptions of their future utilisation, revenue generation and related costs. We challenged the appropriateness of estimates for each CGU based on our assessment of the historical accuracy of the Group's estimates in previous periods. • For fair value calculations provided by management, we have reviewed the reports and the underlying data and assumptions to ascertain whether the valuation of the aircraft fleet was performed in accordance with the requirements of IFRS 13 Fair Value Measurement. • Where we identified estimates that were outside acceptable parameters, we discussed these with management to understand the rationale behind the estimates made. • Performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. • Re-performed the arithmetical accuracy of the determination of recoverable amounts. • We determined if the disclosures made in the consolidated financial statements for this matter were in accordance with the requirements of IFRSs.

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

Key Audit Matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
Valuation of investment properties	
The Group's investment property portfolio amounted to AED 385 million as at 31 December 2022 and the net fair value loss recorded in the consolidated income statement is nil. The Group measures its investment properties at fair value. The determination of fair value of these investment properties is based on external valuations using an income capitalization and market approach method. The Group's determination of fair value for the investment properties requires management to make significant estimates and assumptions related to future rental rates, capitalization rates and discount rates. The valuation of the portfolio involves significant estimation uncertainty and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognise a fair value adjustment in its consolidated statement of profit or loss and other comprehensive income. We have identified the valuation of investment properties as a key audit matter as the fair value is determined based on level 2 valuation methodologies and it requires management to apply significant judgements in determining the fair value of investment property. Refer to notes 3 and 6 in the consolidated financial statements for the accounting policy and disclosure related to this matter.	Our procedures included the following: • Evaluated the design and implementation of controls in the determination of the fair value of investment properties. • Assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine if the scope of work was sufficient for audit purposes. • Agreed the total valuation in the reports of third party valuers to the amount reported in the consolidated statement of financial position. • Tested the data provided to the valuers by the Group, on a sample basis. • Reviewed a sample of investment properties valued by external valuers, and also involved our internal real estate valuation expert to review a sample of those properties and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement. • Where we identified estimates that were outside acceptable parameters, we discussed these with management to understand the rationale behind the estimates made. • Reviewed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. • Re-performed the arithmetical accuracy of the determination of recoverable amounts and net fair value gains and losses. • We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

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

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 Those Charged with Governance 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. (32) of 2021, 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.

Those charged with governance are 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 and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities 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.

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

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- 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. (32) of 2021;
- The Group has maintained proper books of account,
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- Investments in shares and stocks are included in note 7 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2022; Note 12 to the consolidated financial statements discloses material related party transactions and balances and the terms under which they were conducted;
- 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 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- There were no social contributions made during the year by the Group.

Further, as requested by the ADAA Chairman Resolution No. 88 of 2021 regarding Financial Statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2022, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2022:

i. Decrees and Laws No. 3, No. 10, No. 8, No. 9 and No. 11 of the years 1982, 1985, 1999, 2003 and 2004, respectively issued in the United Arab Emirates;
ii. Its' Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
28 February 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Assets			
Non-current assets			
Aircraft, property and equipment	5	**2,287,385**	2,153,491
Investment properties	6	**385,314**	376,228
Investments in financial assets	7	**445,620**	425,970
Right of use assets	8	**120,969**	104,883
Investment in a joint venture	9	**75,875**	68,424
Total non-current assets		**3,315,163**	3,128,996
Current assets			
Inventories		**588,263**	549,393
Trade receivables	11	**762,482**	706,773
Contract assets, prepayments and other current assets	13	**328,153**	258,850
Cash and bank balances	14	**596,918**	626,716
Assets classified as held for sale	5	**-**	251,684
Right of use assets	8	**-**	2,974
Total current assets		**2,275,816**	2,396,390
Total assets		**5,590,979**	5,525,386
Equity			
Share capital	15	**444,787**	444,787
Share premium		**112,320**	112,320
Reserves	16	**1,941,579**	1,947,274
Retained earnings		**1,109,279**	833,870
Equity attributable to owners of the Company		**3,607,965**	3,338,251
Non-controlling interest	18	**471,523**	401,064
Total equity		**4,079,488**	3,739,315
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits	19	**143,156**	136,665
Term loans	20	**370,087**	443,252
Lease liabilities	21	**157,406**	131,064
Deferred income	22	**131,005**	154,362
Total non-current liabilities		**801,654**	865,343

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

Consolidated statement of financial position (continued)
as at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Current liabilities			
Trade and other payables	23	**166,750**	145,583
Accrued expenses and other current liabilities		**277,782**	204,525
Advances from customer	5	**-**	291,855
Term loans	20	**229,619**	260,357
Lease liabilities	21	**17,936**	6,265
Deferred income	22	**17,750**	12,143
Total current liabilities		**709,837**	920,728
Total liabilities		**1,511,491**	1,786,071
Total equity and liabilities		**5,590,979**	5,525,386

Nader Ahmed Mohammed Al Hammadi
Chairman

Shaikh Ahmed Mohamed Sultan AlDhaheri
Vice Chairman

Ashraf Fahmy
Chief Financial Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue from contracts with customers	24	**2,026,500**	1,682,082
Direct operating costs	25	**(1,421,599)**	(1,187,755)
Gross profit		**604,901**	494,327
General and administrative expenses	26	**(221,646)**	(182,156)
Gain on disposal of assets held for sale	8	**4,202**	-
Impairment loss on aircraft, property and equipment	5	**(9,133)**	(42,430)
Net charge of impairment loss on trade receivables	11	**(25,472)**	5,825
Amortisation of deferred income	22	**17,750**	12,143
Share of profit of a joint venture	9	**7,451**	5,692
Finance income		**6,358**	6,794
Finance costs		**(35,014)**	(24,658)
Other income		**21,905**	11,473
Gain on financial asset at fair value through profit or loss	7	**41,288**	19,823
Profit for the year		**412,590**	306,833
Profit for the year attributable to:			
Owners of the Company		**342,131**	250,229
Non-controlling interest	18	**70,459**	56,604
		412,590	306,833
Basic and diluted earnings per share	27	**0.77**	0.56

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 2022

	Notes	2022 AED'000	2021 AED'000
Profit for the year		**412,590**	306,833
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	16	**(5,695)**	(740)
Other comprehensive loss for the year		**(5,695)**	(740)
Total comprehensive income for the year		**406,895**	306,093
Total comprehensive income attributable to:			
Owners of the Company		**336,436**	249,489
Non-controlling interest	18	**70,459**	56,604
		406,895	306,093

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

Consolidated statement of changes in equity
for the year ended 31 December 2022

	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
At 1 January 2022	444,787	112,320	1,947,274	833,870	3,338,251	401,064	3,739,315
Profit for the year	-	-	-	342,131	342,131	70,459	412,590
Other comprehensive loss for the year	-	-	(5,695)	-	(5,695)	-	(5,695)
Total comprehensive income	-	-	(5,695)	342,131	336,436	70,459	406,895
Dividends (note 17)	-	-	-	(66,722)	(66,722)	-	(66,722)
At 31 December 2022	**444,787**	**112,320**	**1,941,579**	**1,109,279**	**3,607,965**	**471,523**	**4,079,488**

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

Consolidated statement of changes in equity (continued)
for the year ended 31 December 2022

	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
At 1 January 2021	444,787	112,320	1,948,014	628,120	3,133,241	354,460	3,487,701
Profit for the year	-	-	-	250,229	250,229	56,604	306,833
Other comprehensive income for the year	-	-	(740)	-	(740)	-	(740)
Total comprehensive income	-	-	(740)	250,229	249,489	56,604	306,093
Dividends (note 17)	-	-	-	(44,479)	(44,479)	(10,000)	(54,479)
At 31 December 2021	444,787	112,320	1,947,274	833,870	3,338,251	401,064	3,739,315

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit for the year		**412,590**	306,833
Adjustments for:			
- Depreciation	5	**136,878**	143,938
- Depreciation of right of use asset	8	**12,284**	7,462
- Charge of impairment losses on trade receivables	11	**74,221**	4,934
- Recovery of impaired trade receivables	11	**(48,749)**	(10,759)
- Impairment loss on aircraft, property and equipment	5	**9,133**	42,430
- Provision for employees' end of service benefits	19	**23,013**	17,879
- Amortisation of deferred income	22	**(17,750)**	(12,143)
- Net foreign currency translation difference		**-**	1,787
- Loss on disposal of aircraft, property and equipment	5	**1,843**	3,688
- Share of profit of a joint venture	9	**(7,451)**	(5,692)
- Finance costs		**23,934**	19,148
- Finance income		**(6,358)**	(6,794)
- Gain on financial asset at fair value through profit or loss	7	**(41,288)**	(19,823)
- Gain on disposal of assets held for sale		**(4,202)**	-
- Interest expense on lease liabilities		**11,080**	5,510
		579,178	498,398
Changes in:			
- Inventories		**(38,870)**	(14,772)
- Trade receivables	11	**(81,181)**	35,983
- Contract assets, prepayments and other current assets	13	**(69,303)**	(149,732)
- Trade and other payables	23	**21,163**	31,796
- Accrued expenses and other current liabilities		**73,257**	43,411
- Advances from customer		**(8,120)**	291,855
Cash generated from operating activities		**476,124**	736,939
End of service benefits paid	19	**(16,522)**	(28,327)
Net cash generated from operating activities		**459,602**	708,612

Consolidated statement of cash flows (continued)
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Cash flows from investing activities			
Acquisition of aircraft, property and equipment	5	**(281,748)**	(292,687)
Payments for investment properties	6	**(9,086)**	(618)
Purchase of investment in financial assets	7	**(51,498)**	(273,760)
Proceeds from disposal of property and equipment		**-**	45
Proceeds from disposal of investment in financial assets	7	**59,439**	23,173
Finance income received		**6,358**	6,794
Deposits with maturities over three months	14	**(62,038)**	81,466
Net cash used in investing activities		**(338,573)**	(455,587)
Cash flows from financing activities	32		
Proceeds from term loans		**90,000**	209,328
Repayment of term loans		**(183,015)**	(250,990)
Interest paid on lease liabilities		**(11,080)**	(5,510)
Payments for lease liabilities		**(15,233)**	(6,925)
Finance cost paid		**(26,815)**	(19,148)
Dividends paid	17	**(66,722)**	(54,479)
Net cash used in financing activities		**(212,865)**	(127,724)
Net (decrease)/increase in cash and cash equivalents		**(91,836)**	125,301
Cash and cash equivalents at 1 January		**436,015**	310,714
Cash and cash equivalents at 31 December	14	**344,179**	436,015

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

Notes to the consolidated financial statements for the year ended 31 December 2022

1 General information

Abu Dhabi Aviation PJSC (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.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group is in the process of updating the Article of Association to comply with the requirement of Commercial Law No. 32 of 2021 and will be approved in the next Annual General Meeting.

During the year, the Group has received an offer from ADQ Aviation and Aerospace Services LLC ("ADQ Aviation"), a wholly owned subsidiary of Abu Dhabi Developmental Holding Company PJSC ("ADQ") to combine its shareholdings in Advanced Military Maintenance Repair and Overhaul Centre LLC ("AMMROC"), Etihad Airways Engineering LLC ("EYE") and Global Aerospace Logistics LLC ("GAL") (together referred to as the "Perimeter assets") with the Group.

The offer is subject to receipt of all related governmental approvals, including regulatory approvals by the Securities and Commodities Authority (SCA), as well as shareholder approvals. Subsequent to the year, the Board of the Group will meet to review the offer proposed by ADQ Aviation before making any recommendation to the shareholders.

Should an agreement be reached between the parties, an ADA general assembly meeting would consider approving the transaction subsequent to the year end. At this time, there is no certainty that any transaction will occur.

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

2.1 New and revised IFRSs 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 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has 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.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle. If not presented separately in the statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item in the statement of comprehensive income include such proceeds and cost.
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards; IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRS	**Effective for annual periods beginning on or after**
Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors* relating to Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of Liabilities as Current or Non-Current	1 January 2023
Amendment to IFRS 17 *Insurance contracts*	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to sale or contribution of assets between an Investor and its Associate or Joint Venture.	Effective date not yet decided

The above stated new standards and amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

3 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the UAE Federal Law No. 32 of 2021 and the Articles of Association of the Company.

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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.

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 2022 (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	Ownership interest 31 December 2022	Ownership interest 31 December 2021	Country of incorporation	Principal activities
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

* On 13 December 2022, the shareholders resolved to liquidate the Company. At 31 December 2022, the legal formalities are in progress.

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 consolidated 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.

3 Summary of significant accounting policies (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.

3 Summary of significant accounting policies (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.

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 Group 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 Group sells services on a standalone basis. For items that are not sold separately, the Group 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.

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.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Rental income/others (continued)

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 Group 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 consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

Leases

(*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.

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.

3 Summary of significant accounting policies (continued)

Leases (continued)

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

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.

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.

3 Summary of significant accounting policies (continued)

Interest/divdend 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.

Foreign currency

In preparing the financial statements of the Group, transactions in currencies other than the Group'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).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

Foreign currency (continued)

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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

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.

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 5.

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:

Buildings	30 years
Commercial aircraft facility leasehold improvements	3 years
Helicopters, aircraft and major rotables	10-15 years
Cargo aircraft building	30 years
Cargo aircraft and spares	25 years
Commercial aircraft, rotable parts and repairables	20-30 years
Fixtures and fittings	10 years
Others	4-5 years

3 Significant accounting policies (continued)

Aircraft, property and equipment (continued)

Capital work-in-progress

Expenditure incurred on property and equipment which are not complete and ready for use at the reporting date are treated as capital work-in-progress. Depreciation is not provided on such assets until they are ready for their intended use and transferred to the appropriate asset category.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, 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.

Impairment of aircraft, property and equipment

At each reporting date, the Group reviews the carrying amounts of its aircraft, property and equipment 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.

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.

3 Significant accounting policies (continued)

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.

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subjectto an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

(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.

3 Significant accounting policies (continued)

Financial instruments (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 7).

(iv) Financial assets at FVTPL (fair value through profit or loss)

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.

3 Significant accounting policies (continued)

Financial instruments (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 29 (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.

3 Significant accounting policies (continued)

Financial instruments (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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if

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 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments (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.

(iv) 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.

3 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

(iv) 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.

3 Significant accounting policies (continued)

Financial instruments (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.

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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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.

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 consolidated 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 of a 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 a 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 2022 (continued)

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

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

Classification of subsidiaries

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 Company is able to exert control over this entity as a result of a 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.

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 2022 is AED 94.4 million (2021: AED 75.4 million).

Allowance for obsolete and slow moving inventories

Management has estimated the recoverability of inventory balances which relates to spare parts and rotables 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 2022 is AED 29.3 million (2021: 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 (note 5).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (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

Aircraft classified under aircraft, 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 2022, Abu Dhabi Aviation has not recorded any impairment loss on its aircraft fleet (separate CGUs) (2021: AED 29.9 million). Royal Jet LLC has recorded an impairment loss on its G5000 fleet (separate CGU) amounting to AED 9.1 million (2021: AED 12.5 million). Details of the impairment losses are set out in note 5 to the consolidated financial statements.

Impairment of investment in a 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).

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Aircraft, property and equipment

	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 repairables AED'000	Furniture and fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
Cost											
At 1 January 2021	140,110	13,311	2,114,668	15,017	198,407	1,231,612	26,849	19,192	378,898	22,640	4,160,704
Additions	-	3,119	9,184	-	5,487	-	2,872	57	4,836	267,132	292,687
Disposals	-	-	(5,823)	-	(14,700)	-	-	-	(552)	-	(21,075)
Transfers	-	-	140,283	-	-	-	-	-	26,353	(166,636)	-
Transfer to asset held for sale (iv)	-	-	-	-	-	(289,889)	-	-	-	-	(289,889)
At 1 January 2022	140,110	16,430	2,258,312	15,017	189,194	941,723	29,721	19,249	409,535	123,136	4,142,427
Additions	28	228	9,034	-	-	-	6,114	-	20,492	245,852	281,748
Disposals	-	-	(6,526)	-	-	-	-	(197)	-	-	(6,723)
Transfers	-	-	45,488	-	-	127,826	-	-	72	(173,386)	-
At 31 December 2022	**140,138**	**16,658**	**2,306,308**	**15,017**	**189,194**	**1,069,549**	**35,835**	**19,052**	**430,099**	**195,602**	**4,417,452**

Notes to the consolidated financial statements
for the year ended 31 December 2022 (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 repairables AED'000	Furniture and fittings AED'000	Others AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation and impairment											
At 1 January 2021	71,428	13,212	862,399	7,206	119,379	440,119	4,799	18,313	321,260	-	1,858,115
Charge for the year	3,767	312	71,736	600	16,733	24,178	1,660	593	24,359	-	143,938
Eliminated on disposals	-	-	(2,090)	-	(14,700)	-	-	-	(552)	-	(17,342)
Impairment	-	-	29,931	-	-	12,499	-	-	-	-	42,430
Transfer to asset held for sale (iv)	-	-	-	-	-	(38,205)	-	-	-	-	(38,205)
At 1 January 2022	75,195	13,524	961,976	7,806	121,412	438,591	6,459	18,906	345,067	-	1,988,936
Charge for the year	2,019	864	62,210	599	15,789	34,233	1,791	178	19,195	-	136,878
Eliminated on disposals	-	-	(4,792)	-	-	-	-	(88)	-	-	(4,880)
Impairment	-	-	-	-	-	9,133	-	-	-	-	9,133
At 31 December 2022	**77,214**	**14,388**	**1,019,394**	**8,405**	**137,201**	**481,957**	**8,250**	**18,996**	**364,262**	**-**	**2,130,067**
Carrying value											
At 31 December 2022	**62,924**	**2,270**	**1,286,914**	**6,612**	**51,993**	**587,592**	**27,585**	**56**	**65,837**	**195,602**	**2,287,385**
At 31 December 2021	64,915	2,906	1,296,336	7,211	67,782	503,132	23,262	343	64,468	123,136	2,153,491

5 Aircraft, property and equipment (continued)

i) During the year, as the result of the decline in asset values and high operating costs 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 9.1 million (2021: AED 12.5 million), which has been recognised in the consolidated statement of profit or loss. The Group also estimated the fair value less costs of disposal of the fleet, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is more 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 costs of disposal.

ii) During 2021, as the result of the operational losses of the DHC 300, DHC 400 and Bell 412 fleet, the Group carried out a review of the recoverable amount of that fleet . These assets are used in the Group's Helicopeter and fixed wings reportable segment. The review led to the recognition of an impairment loss of AED 29.9 million, which had been recognised in the consolidated statement of profit or loss. The Group also estimated the fair value less costs of disposal of the fleet, which is based on the recent market prices of assets with similar age and obsolescence. 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 by the management on the basis of their fairvalue less cost of disposal which is based on comparable prices of similar aircraft. No impairment has been assessed on the fleet for the year ended 31 December 2022.

iii) During 2021, the Board of Royal Jet LLC (a 'subsidiary') resolved to dispose one of its commercial aircraft with a carrying value of AED 251.7 million. During the year, the subsidiary entered into a sale and lease back transaction of the said commercial aircraft, previously classified as an asset held for sale. The proceeds from disposal were AED 283.7 million. Fair value of aircraft was AED 256.4 million at the date of sale. A gain on sale amounting to AED 4.2 million has been recognised in the consolidated statement of profit or loss. The balance of AED 27.4 million has been adjusted with the right of use asset.

iv) During 2021, the Group conducted a review of certain aircraft resulting in an increase in the useful life of such items due to economic viability of those assets beyond the previously perceived useful life. The effect of the change in useful life resulted in a lower depreciation charge of AED 6 million (2021: AED 5.3 million). The aircraft are covered under government grants, and hence there is a corresponding reduction in the deferred income charge by AED 6.5 million (2021: AED 5.8 million) (note 22).

v) Property and equipment with a carrying amount of AED 895.4 million (2021: AED 932.3 million) are mortgaged to the lending banks (note 20).

vi) Aircraft, property and equipment is operated from the Group's base in the UAE.

5 Aircraft, property and equipment (continued)

vii) The depreciation charge for the year has been allocated as follows:

	2022 AED '000	2021 AED '000
Direct costs (note 25)	**123,006**	128,907
General and administrative expenses (note 26)	**13,872**	15,031
	136,878	143,938

viii) The cost of fully depreciated assets as at 31 December 2022 amounts to AED 142.7 million (2021: AED 140.6 million).

ix) As at 31 December 1992, certain helicopters and major rotables were fully depreciated. Consequently, in 1993, management revalued helicopters and major rotables to market value on the basis of industry quotations. The helicopter revaluations were based on the "Official Helicoper Blue Book" and a valuation reserve prepared by Nash Helicopter Associates Limited. The major rotable 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 2022, the net carrying value of the revalued helicopters and major rotables are AED 16.5 million (2021: AED 16.5 million).

6 Investment properties

Investment properties represent investment in properties located in Khalifa City, Al Rawdhat, Al Muneera, Abu Dhabi and Al Satwa, Dubai.

Movement in investment properties is as follows:

	2022 AED '000	2021 AED '000
At 1 January	**376,228**	375,610
Additions during the year	**9,086**	618
At 31 December	**385,314**	376,228

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of investment properties being valued. 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. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards.

Management believes that there is no significant change in fair value of investment properties as at 31 December 2022.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

6 Investment properties (continued)

As at 31 December 2022, all of the Group's investment properties were grouped in Level 2 of fair value hierarchy (2021: Level 2) (note 29).

	2022 AED '000	2021 AED '000	**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 Al Rawdhat	183,550	183,684	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 6.75% (2021: 7%).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential property located at Al Satwa	101,899	101,899	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% (2021: 6%).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Residential property located at Al Muneera	42,905	51,857	Level 2	Market approach	Unit sales price per Sq. F	A slight increase in the per square foot rate used would result in a significant increase in fair value, and vice versa.
Land located at Khalifa City	45,000	45,000	Level 2	Market approach	Unit sales price per Sq. F	A slight increase in the per square foot rate used would result in a significant increase in fair value, and vice versa.
Residential property located at Zayed City	2,874	2,874	Level 2	Market approach	Unit sales price per Sq. F	A slight increase in the per square foot rate used would result in a significant increase in fair value, and vice versa.

7 Investments in financial assets

The Group's investments in financial assets at fair value through profit or loss at the end of reporting date are detailed below.

	2022 **AED '000**	2021 AED '000
Equity securities – designated at FVTPL	**344,886**	284,195
Corporate debt securities – designated at FVTPL	**100,734**	141,775
At 31 December	**445,620**	425,970

	2022 **AED '000**	2021 AED '000
At 1 January	**425,970**	157,347
Purchase of investments in FVTPL	**51,498**	273,760
Disposal of investments in FVTPL	**(59,439)**	(23,173)
Change in fair value of investment – at FVTPL	**41,288**	19,823
Net foreign currency translation difference	**(13,697)**	(1,787)
At 31 December	**445,620**	425,970

The Group's investments represent the investments in shares and bonds as follows:

	2022 **AED'000**	2021 AED'000
Investment in equities – UAE	**307,530**	254,333
Investment in high yield and emerging market bonds	**43,735**	54,577
Investments in corporate bonds – US	**40,741**	4,631
Investment in fixed income SP – UAE	**26,601**	26,153
Investment in developed market equities – UK	**8,640**	-
Investments in short term maturity bonds	**6,623**	538
Investment in multi class assets	**3,371**	25,132
Investments in corporate bonds – UK	**2,477**	33,949
Investments in emerging market – Asia	**2,030**	-
Investment in equities – UK	**1,302**	805
Investment in equities – US	**813**	2,904
Alternate – Commodities	**799**	-
Alternative trading strategies	**793**	-
REITS	**165**	-
Investments in corporate bonds – European (EX-UK)	**-**	14,907
Investments in bonds – Asia Pacific (EX-Japan)	**-**	4,437
Investment in multi class bonds	**-**	3,604
	445,620	425,970

7 Investments in financial assets (continued)

Investments in financial assets amounting to AED 109.3 million (31 December 2021: AED 141.8 million) are mortgaged against term loan of the Group (note 20).

Refer note 29 for information on the fair value hierarchy of the investments in financial assets.

8 Right of use assets

	Building AED '000	Aircraft AED '000	Total AED '000
Cost			
At 1 January 2021 and 2022	129,817	3,044	132,861
Additions	-	25,396	25,396
At 31 December 2022	**129,817**	**28,440**	**158,257**
Accumulated Depreciation			
At 1 January 2021	14,753	2,789	17,542
Depreciation for the year	7,207	255	7,462
At 1 January 2022	21,960	3,044	25,004
Depreciation for the year	7,204	5,080	12,284
At 31 December 2022	**29,164**	**8,124**	**37,288**
Carrying Value			
At 31 December 2022	**100,653**	**20,316**	**120,969**
At 31 December 2021	107,857	-	107,857

	2022 AED '000	2021 AED '000
Non-current portion	**120,969**	104,883
Current portion	**-**	2,974
At 31 December	**120,969**	107,857

The Group leases buildings and an aircraft. The average lease term of the building is 25 years (2021: 25 years) and 5 years for the aircraft.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

8 Right of use assets (continued)

During the year, Royal Jet LLC (a “subsidiary”) entered into a sale and lease back transaction of its commercial aircraft, previously classified as an asset held for sale. The carrying value was AED 251.6 million and the proceeds from disposal were AED 283.7 million. Fair value of the aircraft was AED 256.4 million at the date of sale. A gain on sale amounting to AED 4.2 million has been recognised in the consolidated statement of profit or loss. The balance of AED 27.4 million has been adjusted with the right of use asset.

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 above joint venture is accounted for using the equity method in these consolidated financial statements as set out in the Group’s accounting policies in note 3. The financial year end date of the joint venture is 31 December. During the year no dividends have been received from the joint venture.

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 venture.

	2022 AED ‘000	2021 AED ‘000
Total assets	**160,049**	170,462
Total liabilities	**(51,656)**	(72,713)
Net assets	**108,393**	97,749
Revenue	**117,408**	112,745
Profit for the year	**10,644**	8,132
Group’s share of profit	**7,451**	5,692

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

	2022 AED ‘000	2021 AED ‘000
Net assets	**108,393**	97,749
Carrying amount of interest in joint venture (70%)	**75,875**	68,424

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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.

11 Trade receivables

	2022	2021
	AED '000	AED '000
Trade receivables	**856,886**	775,898
Due from related parties (note 12)	**4,985**	6,262
	861,871	782,160
Less: Allowance for expected credit loss	**(99,389)**	(75,387)
	762,482	706,773

The average credit period of trade receivables is 60-90 days (2021: 60-90 days). No interest is charged on trade and other receivables. The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting a new customer. Of the trade receivables balance at the end of the reporting period, AED 588.6 million representing 69% (2021: AED 362.8 million representing 47%) of the total trade receivables is due from government entities (note 12).

The Group measures the the allowance for expected credit loss on trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table shows the movement in the allowance for expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	2022	2021
	AED '000	AED '000
At 1 January	**75,387**	82,235
Charge for the year	**74,221**	4,934
Write off	**(1,470)**	(1,023)
Recovery	**(48,749)**	(10,759)
At 31 December	**99,389**	75,387

Information about the Group's exposure to credit and market risks, and expected credit loss for trade and other receivables is included in note 29.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

11 Trade receivables (continued)

Ageing of trade receivables and due from related parties

	2022 AED '000	2021 AED '000
Not past due	**179,113**	187,018
Due for 31 to 90 days	**179,584**	131,492
Due for 91 to 180 days	**220,789**	100,892
Due for more than 180 days	**282,385**	362,758
	861,871	782,160

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

12 Related parties

Related parties, as defined in International Accounting Standard 24: Related Party Disclosures include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The Group, in the ordinary course of business, enters into transactions with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence, or which can exercise significant influence over the Group).

The Group has elected to use the exemption under IAS 24 'Related Party Disclosures' for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi and entities it owns and controls. The Group provides services in the normal course of business to entities owned and controlled by the Government of Abu Dhabi.

Management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates.

Balances with related parties at the end of the reporting period comprise:

	2022 AED'000	2021 AED'000
Due from related parties		
Entities under common control (note 11)	**4,985**	6,262
Due to related parties		
Entities under common control (note 23)	**34,824**	26,895

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

12 Related parties (continued)

Significant transactions with related parties during the year were as follows:

	2022 AED'000	2021 AED'000
Services provided	**86,872**	151,783

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.

	2022 AED '000	2021 AED '000
Salaries and other short-term employee benefits	**19,717**	18,735
Directors' fees (note 26)	**16,716**	12,984
Provision for employees' end of service benefits	**2,119**	1,144

There were no loans provided to the Directors of the Group during 2022 and 2021.

13 Contract assets, prepayments and other current assets

	2022 AED '000	2021 AED '000
Contract assets	**231,171**	164,339
Prepayments	**55,312**	55,838
Deposits and advances	**13,091**	24,892
Other receivables	**28,579**	13,781
	328,153	258,850

The management of the Company measure the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance on contract assets related to transporation service contracts.

The management has assessed the expected credit losses on the above contract assets to be AED Nil (31 December 2021: AED nil).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

14 Cash and bank balances

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

	2022 **AED ‘000**	2021 AED ‘000
Cash on hand	**3,184**	5,365
Cash at bank – current accounts	**340,995**	430,650
Term deposits with 90 days maturity	**252,739**	190,701
Cash and bank balances	**596,918**	626,716
Less: Term deposits with 90 days maturity	**(252,739)**	(190,701)
Cash and cash equivalents	**344,179**	436,015

Cash and bank balances include an amount of AED 2.2 million (2021: AED 12.7 million) held in foreign banks abroad and the remaining balance is held within the UAE. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

The interest rates on term deposits range between 0.09% and 4.65% (2021: 0.09% and 4.65%) per annum.

15 Share capital

The share capital structure is as follows:

	2022 **AED ‘000**	2021 AED ‘000
Authorised, issued and fully paid:		
444,787,200 shares of AED 1 each (2021: 444,787,200 shares of AED 1 each)	**444,787**	444,787

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

16 Reserves

	Revaluation reserve AED'000	Translation reserve AED'000	Fleet replacement reserve AED'000	Insurance reserve AED'000	Legal reserve AED'000	General reserve AED'000	Other reserves AED'000	Total AED'000
At 1 January 2021	28,219	(4,616)	1,012,686	417,769	222,394	102,586	168,976	1,948,014
Foreign currency translation differences	-	(740)	-	-	-	-	-	(740)
At 1 January 2022	28,219	(5,356)	1,012,686	417,769	222,394	102,586	168,976	1,947,274
Foreign currency translation differences	-	(5,695)	-	-	-	-	-	(5,695)
At 31 December 2022	**28,219**	**(11,051)**	**1,012,686**	**417,769**	**222,394**	**102,586**	**168,976**	**1,941,579**

16 Reserves (continued)

(a) Revaluation reserve

On 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 reporting 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. (32) of 2021 concerning Commercial Companies and the subsidiaries' Articles of Association, 10% (2021: 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) 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.

17 Dividends

The Board of Directors in its meeting held on 9 February 2022 proposed cash dividend of AED 0.15 per ordinary share (15% of par value) amounting to AED 66.7 million for the year ended 31 December 2021. The Board of Directors will propose dividends for the year ended 31 December 2022 at the next board meeting to be held in March 2023.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

18 Non-controlling interest

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of Royal Jet LLC (a "subsidiary"), and the results of the subsidiary's operations.

Movement during the year is as follows:

	2022 **AED '000**	2021 AED '000
At 1 January	**401,064**	354,460
Share of profit for the year	**70,459**	56,604
Dividends	**-**	(10,000)
At 31 December	**471,523**	401,064

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 L.L.C	**2022** **AED '000**	2021 AED '000
NCI percentage	**50%**	50%
Non-current assets	**893,003**	744,125
Current assets	**618,564**	844,479
Non-current liabilities	**(283,601)**	(282,180)
Current liabilities	**(284,920)**	(504,297)
Net assets	**943,046**	802,127
Net assets attributable to NCI	**471,523**	401,064
Revenue	**725,368**	512,602
Profit	**140,918**	113,208
Other comprehensive income	**-**	-
Total comprehensive income	**140,918**	113,208
Profit allocated to NCI	**70,459**	56,604
Other comprehensive income allocated to NCI	**-**	-
Cash flows from operating activities	**202,491**	150,561
Cash flows used in investing activities	**(197,720)**	(73,997)
Cash flows used in financing activities	**(57,655)**	(97,382)
Net decrease in cash and cash equivalents	**(52,884)**	(20,818)

19 Provision for employees' end of service benefits

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

	2022 **AED '000**	2021 AED '000
At 1 January	**136,665**	147,113
Charge for the year	**23,013**	17,879
Payments made during the year	**(16,522)**	(28,327)
At 31 December	**143,156**	136,665

20 Term loans

Term loans are classified as follows in the consolidated statement of financial position:

	2022 **AED '000**	2021 AED '000
Current portion	**229,619**	260,357
Non-current portion	**370,087**	443,252
At 31 December	**599,706**	703,609

The movement in term loans is as follows:

	2022 **AED '000**	2021 AED '000
At 1 January	**703,609**	745,886
Drawdown during the year	**90,000**	209,328
Repayments during the year	**(183,015)**	(250,990)
Exchanges gain	**(10,888)**	(615)
At 31 December	**599,706**	703,609

<u>Facility 1: AED 285 million term loan</u>

In 2019, the Group has entered into a restructuring arrangement with a local bank to repay all outstanding payments against a loan obtained from another local bank in previous years. The previous loan was repaid from the funds drawn down from this new loan. The new loan is repayable in twenty semi-annual installments starting 31 December 2019. The loan carries interest at three-month EIBOR plus 1.25% per annum. As at 31 December 2022, the outstanding balance of this facility amounted to AED 185.2 million (2021: AED 214 million).

20 Term loans (continued)

Facility 2: GBP 29 million loan

In 2021, the Group utilized an existing facility with a foreign bank to finance the purchases of corporate bonds amounting to AED 25.3 million (note 7). The loan is repayable on demand. The loan carries interest at three-month LIBOR plus 0.75% per annum. The loan is mortgaged against first charge on the investments in corporate debt securities held with the bank. As at 31 December 2022, the outstanding balance of this facility amounted to AED 63.7 million (2021: AED 87.8 million).

Facility 3: AED 200 million term facility

In 2021, the Group entered into an arrangement with a local bank to finance the acquisition of aircraft amounting to AED 200 million out of which the Group has utilized facility amounting to AED 94 million as at 31 December 2022. The loan is repayable in 28 equal quarterly instalments. The facility carries interest at six-month EIBOR plus 1.15% per annum during the first year on the utilized facility amount and six-month EIBOR plus 1% per annum thereafter. As at 31 December 2022, the outstanding balance of this facility amounted to AED 70.5 million (2021: AED 83.9 million).

Facility 4: AED 90 million short-term loan

In 2021, the Group entered into an arrangement with a local bank to finance the purchase of a new aircraft. The loan is repayable within six months from the drawdown date. The loan carries interest at three-month EIBOR plus 1.35% per annum upto AED 40 million and three-month EIBOR plus 1.40% per annum for the amount above AED 40 million. As at 31 December 2022, the outstanding balance of this facility amounted to AED nil (2021: AED 90 million).

During the year, the Group has obtained a facility from a local bank amounting to AED 100 million to repay all outstanding payments against the short term loan availed in 2021. The previous loan was repaid from the funds drawn down from this new loan. The new loan is repayable in a bullet payment, six months after the date of the draw down. The loan carries interest at three-month EIBOR plus 1 % per annum. As at 31 December 2022, the outstanding balance of this facility amounted to AED 90 million (2021: AED nil).

Facility 5: AED 297.7 million term

This facility represents two term loans from a local bank amounting to AED 297.7 million to finance the acquisition of two commercial aircraft of a subsidiary. The loans are repayable in 40 equal quarterly instalments. The loan carries interest at three-month LIBOR plus 1.75% per annum. The term loans had been restructured during 2021. As part of the restructuring, the Group has received concessions to defer the original contractual repayment terms as agreed with the bank. As at 31 December 2022, the outstanding balance of the term loan amounted to AED 100.4 million (2021: AED 116.9 million).

Facility 6: AED 429.2 million term loan

This facility represents a term loan from a local bank amounting to AED 429.2 million to finance the acquisition of a commercial aircraft of a subsidiary. The loan is repayable in 40 equal quarterly instalments. The loan carries interest at three-month LIBOR plus 1.3% per annum. As at 31 December 2022, the outstanding balance of the term loan amounted to AED 89.9 million (2021: AED 111 million).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

21 Lease liabilities

	2022 AED '000	2021 AED '000
At 1 January	**137,329**	144,254
Additions	**53,246**	-
Payments	**(26,313)**	(6,925)
Accretion of interest	**11,080**	-
At 31 December	**175,342**	137,329

Lease liabilities are classified as follows in the consolidated statement of financial position:

	2022	2021
Current	**17,936**	6,265
Non-current	**157,406**	131,064
At 31 December	**175,342**	137,329
Maturity analysis		
1 year	**26,313**	14,855
2 year	**26,313**	14,855
3 year	**25,358**	14,855
4 year	**26,313**	14,855
5 years	**14,855**	14,855
Later than 5 years	**157,066**	171,919
	276,218	246,194
Less: unearned interest	**(100,876)**	(108,865)
	175,342	137,329

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.

22 Deferred income

	2022 AED '000	2021 AED '000
At 1 January	**166,505**	178,648
Amortisation of deferred income	**(17,750)**	(12,143)
At 31 December	**148,755**	166,505

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

22 Deferred income (continued)

Deffered income is classified in the consolidated statement of financial position as:

	2022 AED '000	2021 AED '000
Current portion	**17,750**	12,143
Non-current portion	**131,005**	154,362
At 31 December	**148,755**	166,505

During 2014, the Presidential Flight Authority (a "related party"), transferred 5 commercial aircrafts 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 the year, the deferred income amounting to AED 17.7 million (31 December 2021: AED 12.1 million) was recognised in the consolidated statement of profit or loss and other comprehensive income to match the costs for which they are intended to compensate on a systematic basis.

In 2021, the Group has conducted a review of certain aircraft under government grant resulting in an increase in the useful life due to economic viability to use beyond previously perceived useful life. The effect of the change in useful life resulted in a lower depreciation charge of AED 5.3 million for 2021 and the deferred income charge by AED 5.8 million in 2021 (note 5).

23 Trade and other payables

	2022 AED '000	2021 AED '000
Trade payables	**131,926**	118,688
Due to related parties (note 12)	**34,824**	26,895
	166,750	145,583

The average credit period for purchases of goods and services is 30 days (2021: 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 2022 (continued)

24 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 provision of aviation services. Other sources of revenue include training of pilots, rental income from investment properties and other management consultancy services.

	2022 AED '000	2021 AED '000
Revenue from contracts with customers	**2,026,500**	1,682,082

(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 33.

31 December 2022	**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	11,615	520,236	242,557	-	-	-	774,408
Rotary wing	382,746	-	-	-	-	-	382,746
Sub-charter	-	196,730	265,152	-	-	-	461,882
Others	331,982	8,402	27,419	21,821	56,924	(39,084)	407,464
Total	**726,343**	**725,368**	**535,128**	**21,821**	**56,924**	**(39,084)**	**2,026,500**

31 December 2021	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	5,858	402,200	193,303	-	-	-	601,361
Rotary wing	358,184	-	-	-	-	-	358,184
Sub-charter	-	84,276	221,690	-	-	-	305,966
Others	340,054	26,126	19,048	18,304	44,911	(31,872)	416,571
Total	704,096	512,602	434,041	18,304	44,911	(31,872)	1,682,082

24 Revenue from contracts with customers (continued)

(iii) Contract balances

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

	2022 AED '000	2021 AED '000
Receivables, which are included in 'trade receivables' (note 11)	**856,886**	775,898
Contract assets (note 13)	**231,171**	164,339
Contract liabilities	**-**	12,611
	1,088,057	952,848

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 year ended 31 December 2022 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.

25 Direct operating costs

	2022 AED '000	2021 AED '000
Operating and maintenance costs	**794,102**	553,142
Staff costs	**361,632**	314,758
Depreciation (note 5 and 8)	**135,293**	136,094
Other expenses	**130,572**	183,761
	1,421,599	1,187,755

Operating and maintenance costs include inventories consumption amounting to AED 60.8 million (2021: AED 49.2 million).

26 General and administrative expenses

	2022 AED '000	2021 AED '000
Staff costs	**124,947**	102,841
Depreciation (note 5 and 8)	**13,869**	15,306
Licensing and professional fees	**7,575**	11,215
Directors' fees (note 12)	**16,716**	12,984
Others	**58,539**	39,810
	221,646	182,156

27 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:

	2022	2021
Profit attributable to owners of the Company (AED '000)	**342,131**	250,229
Weighted average number of shares in issue (note 15)	**444,787,200**	444,787,200
Earnings per share (AED)	**0.77**	0.56

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

28 Granted plots of land

Future economic benefit established

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

29 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 2022	**Carrying amounts**				**Fair values**			
	FVTPL – equity instruments AED'000	**FVTPL – 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**	**Total AED'000**
Financial assets measured at fair value								
Investment in Waha CEEMEA Fixed Income Fund SP	26,601	-	-	26,601	-	26,601	-	26,601
Investments in short term maturity bonds	-	6,623	-	6,623	6,623	-	-	6,623
Investments in corp bonds – UK	-	2,477	-	2,477	2,477	-	-	2,477
Investments in corp bonds – US	-	40,741	-	40,741	40,741	-	-	40,741
Investment in high yield and emerging market bonds	-	43,735	-	43,735	43,735	-	-	43,735
Investment in multi-class assets	-	3,371	-	3,371	3,371	-	-	3,371
Investment in equities – US	813	-	-	813	813	-	-	813
Investment in equities – UK	1,302	-	-	1,302	1,302	-	-	1,302
Investment in equities – UAE	307,530	-	-	307,530	307,530	-	-	307,530
Developed Market Equities – UK	8,640	-	-	8,640	8,640	-	-	8,640
Emerging market – Asia	-	2,030	-	2,030	2,030	-	-	2,030
Alternatives – Commodities	-	799	-	799	799	-	-	799
REITS	-	165	-	165	165	-	-	165
Alternative trading strategies		793		793	793			793
	344,886	**100,734**	**-**	**445,620**	**419,019**	**26,601**	**-**	**445,620**

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

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

At 31 December 2022	Carrying amounts				Fair values			
	FVTPL – equity instruments AED'000	FVTPL - 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	Total AED'000
Financial assets not measured at fair value								
Trade receivables	-	-	757,497	757,497	-	-	-	-
Contract assets	-	-	231,171	231,171	-	-	-	-
Bank balances	-	-	593,734	593,734	-	-	-	-
Due from related parties	-	-	4,985	4,985	-	-	-	-
	-	-	**1,686,776**	**1,686,776**	-	-	-	-
Financial liabilities not measured at fair value								
Trade payables	-	-	131,921	131,921	-	-	-	-
Term loans	-	-	599,706	599,706	-	-	-	-
Lease liabilities	-	-	175,342	175,342	-	-	-	-
Accrued expenses and other current liabilities	-	-	278,282	278,282	-	-	-	-
Due to related parties	-	-	34,824	34,824	-	-	-	-
	-	-	**1,220,075**	**1,220,075**	-	-	-	-

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

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

At 31 December 2021	Carrying amounts				Fair values			
	FVTPL - equity instruments AED'000	FVTPL - 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	Total AED'000
Financial assets measured at fair value								
Investment in Waha CEEMEA Fixed Income Fund SP	26,153	-	-	26,153	-	26,153	-	26,153
Investments in short term maturity bonds	-	538	-	538	538	-	-	538
Investments in corporate bonds – UK	-	33,949	-	33,949	33,949	-	-	33,949
Investments in corporate bonds – US	-	4,631	-	4,631	4,631	-	-	4,631
Investments in corporate bonds – European (EX-UK)	-	14,907	-	14,907	14,907	-	-	14,907
Investments in corporate bonds – Asia Pacific (EX-Japan)	-	4,437	-	4,437	4,437	-	-	4,437
Investment in high yield and emerging market bonds	-	54,577	-	54,577	54,577	-	-	54,577
Investment in multi-class assets	-	25,132	-	25,132	25,132	-	-	25,132
Investment in multi-class bonds	-	3,604	-	3,604	3,604	-	-	3,604
Investment in equities – US	2,904	-	-	2,904	2,904	-	-	2,904
Investment in equities – UK	805	-	-	805	805	-	-	805
Investment in equities – UAE	254,333	-	-	254,333	254,333	-	-	254,333
	284,195	141,775	-	425,970	399,817	26,153	-	425,970

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

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

At 31 December 2021	Carrying amounts				Fair values			
	FVTPL - equity instruments AED'000	FVTPL - 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	Total AED'000
Financial assets not measured at fair value								
Trade receivables	-	-	700,511	700,511	-	-	-	-
Contract assets	-	-	164,339	164,339	-	-	-	-
Cash and bank balances	-	-	621,351	621,351	-	-	-	-
Due from related parties	-	-	6,262	6,262	-	-	-	-
	-	-	1,567,850	1,567,850	-	-	-	-
Financial liabilities not measured at fair value								
Trade payables	-	-	118,688	118,688	-	-	-	-
Term loans	-	-	703,609	703,609	-	-	-	-
Lease liabilities	-	-	137,329	137,329	-	-	-	-
Accrued expenses and other current liabilities	-	-	204,525	204,525	-	-	-	-
Due to related parties			26,895	26,895	-	-	-	-
	-	-	1,191,046	1,191,046	-	-	-	-

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

29 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 considers 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:

Financial assets	**2022 AED'000**	**2021 AED'000**	**Valuation technique(s) and key input(s)**	**Significant Unobservable input(s) and its relationship to fair value**
Market approach determined through NAV				
Investment in fixed income SP – UAE	**26,601**	26,153	NA	NA
Quoted bid prices in an active market				
Investment in equities – UAE	**307,530**	254,333	NA	NA
Investment in high yield and emerging market bonds	**43,735**	54,577	NA	NA
Investments in corporate bonds – US	**40,741**	4,631	NA	NA
Investment in developed market equities – UK	**8,640**	-	NA	NA
Investments in short term maturity bonds	**6,623**	538	NA	NA
Investment in multi-class assets	**3,371**	25,132	NA	NA
Investments in corporate bonds – UK	**2,477**	33,949	NA	NA
Emerging market – Asia	**2,030**	-	NA	NA
Investment in equities – UK	**1,302**	805	NA	NA
Investment in equities – US	**813**	2,904	NA	NA
Alternate – Commodities	**799**	-	NA	NA
Alternative trading strategies	**793**	-	NA	NA
REITS	**165**	-	NA	NA
Investments in corporate bonds – European (EX-UK)	-	14,907	NA	NA
Investments in corporate bonds – Asia Pacific (EX-Japan)	-	14,907	NA	NA
Investment in multi-class bonds	-	3,604	NA	NA
	445,620	445,620		

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

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

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.

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:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	AED'000	AED'000	**AED'000**	AED'000
Pound sterling	**111,577**	154,487	**63,746**	87,766

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

b) Financial risk management (continued)

(i) Market risk (continued)

Currency risk (continued)

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 2022, if GBP had weakened/strengthened by 5% against the AED with all other variables held constant, comprehensive income for the year would have been AED 2.9 million (2021: AED 3.3 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash and cash equivalent.

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 the year.

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 comprehensive income would increase/decrease as follows:

	2022 **AED'000**	2021 AED'000
Investment in financial assets	**51,733**	42,629

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 2022 would decrease/increase by approximately AED 3 million (2021: AED 3.5 million). The Group's sensitivity to interest rates has increased in line with the increase in interest bearing debt instruments.

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

c) Financial risk management (continued)

(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.

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 588.6 million (2021: AED 520.4 million) which represents 69% (2021: 67%) 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 4.9 million (2021: AED 6.3 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 2022, 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

b) Financial risk management (continued)

(ii) Credit risk (continued)

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:

31 December 2022	**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	**4,985**	-	**4,985**
Government receivables	N/A	(ii)	11	Lifetime ECL	**588,641**	**(69,258)**	**519,383**
Non-government receivables	N/A	(iii)	11	Lifetime ECL	**268,245**	**(30,131)**	**238,114**
Contract assets	N/A	(ii)	13	Lifetime ECL	**231,171**	-	**231,171**
Bank balances	Aa3	N/A	14	12 months ECL	**593,734**	-	**593,734**

31 December 2021	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	6,262	-	6,262
Government receivables	N/A	(ii)	11	Lifetime ECL	520,407	(708)	519,699
Non-government receivables	N/A	(iii)	11	Lifetime ECL	255,491	(74,679)	180,812
Contract assets	N/A	(ii)	13	Lifetime ECL	164,339	-	164,339
Bank balances	Aa3	N/A	14	12 months ECL	626,716	-	626,716

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

b) Financial risk management (continued)

(ii) Credit risk (continued)

(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 0.15% 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 11% (2021: 29%) 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 2022 (continued)

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

b) Financial risk management (continued)

(ii) Credit risk (continued)

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

	2022 **AED'000**	2021 AED'000
Trade receivables	**762,482**	706,773
Cash and bank balances	**596,918**	626,716
Contract assets and other current assets	**328,153**	178,120
	1,687,553	1,511,609

(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**
2022							
Non-interest bearing instruments		**166,750**	**166,750**	**166,750**	**-**	**-**	**-**
Variable interest rate instruments	Note 20 and 21	**775,048**	**775,048**	**185,870**	**77,994**	**234,952**	**276,232**
		941,798	**941,798**	**352,620**	**77,994**	**234,952**	**276,232**

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

b) Financial risk management (continued)

(iii) Liquidity risk (continued)

	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
2021							
Non-interest bearing instruments		145,583	145,583	145,583	-	-	-
Variable interest rate instruments	Note 20 and 21	840,938	840,938	201,457	65,165	397,183	177,133
		986,521	986,521	347,040	65,165	397,183	177,133

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:

	2022 AED'000	2021 AED'000
Debt (i)	**599,706**	703,609
Cash and bank balances *(Note 14)*	**(596,918)**	(626,716)
Net debt	**2,788**	76,893
Equity (ii)	**3,607,965**	3,338,251
Net debt to equity ratio	**0.08%**	2%

(i) Debt is defined as long and short term loans (note 20).
(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 2022 (continued)

30 Contingent liabilities

As at 31 December 2022, the Group had outstanding contingent liabilities in respect of letters of guarantee amounting to AED 135.2 million (2021: AED 76.4 million).

31 Commitments

As at 31 December 2022, the Group had estimated commitments for the acquisition of aircraft, property and equipment of AED 103 million (2021: AED 11.7 million).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

	Equity			
	Term loans AED'000	Lease liabilities AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2022	703,609	137,329	833,870	1,674,808
Changes from financing cash flows				
Proceeds from term loans	90,000	-	-	90,000
Repayment of term loans	(183,015)	-	-	(183,015)
Exchange loss	(10,888)	-	-	(10,888)
Payments for lease liabilities	-	(15,233)	-	(15,233)
Dividends paid	-	-	(66,722)	(66,722)
Total changes from financing activities	**(103,903)**	**(15,233)**	**(66,722)**	**(185,858)**
Other changes				
Total liability related changes	-	53,246	-	53,246
Total equity related changes	-	-	342,131	342,131
At 31 December 2022	**599,706**	**175,342**	**1,109,279**	**1,884,327**

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

32 Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities		Equity	
	Term loans AED'000	Lease liabilities AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2021	745,886	144,254	628,120	1,518,260
Changes from financing cash flows				
Proceeds from term loans	209,328	-	-	209,328
Repayment of term loans	(250,990)	-	-	(250,990)
Payments for lease liabilities	-	(6,925)	-	(6,925)
Dividends paid	-	-	(44,479)	(44,479)
Total changes from financing activities	(41,662)	(6,925)	(44,479)	(93,066)
Other changes				
Total liability related changes	(615)	-	-	(615)
Total equity related changes	-	-	250,229	250,229
At 31 December 2021	703,609	137,329	833,870	1,674,808

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

33 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
2022							
Revenue	**726,343**	**725,368**	**535,128**	**21,821**	**56,924**	**(39,084)**	**2,026,500**
Profit for the year	**114,195**	**140,918**	**175,433**	**19,483**	**12,128**	**(49,567)**	**412,590**
2021							
Revenue	704,095	512,602	434,041	18,305	44,911	(31,872)	1,682,082
Profit for the year	100,645	113,206	113,565	32,557	6,606	(59,746)	306,833

The segment assets and liabilities were as follows:

2022							
Assets	**3,354,177**	**1,457,581**	**933,499**	**816,642**	**257,333**	**(1,228,253)**	**5,590,979**
Liabilities	**1,041,221**	**560,879**	**38,052**	**-**	**47,887**	**(176,548)**	**1,511,491**
2021							
Assets	3,243,387	1,543,603	801,483	802,199	240,268	(1,105,554)	5,525,386
Liabilities	972,103	794,188	38,410	-	23,362	(41,992)	1,786,071

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.

34 Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The management is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

35 Approval of consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue by the Board of Directors on 28 February 2023.