

Abu Dhabi Aviation

Condensed consolidated interim
financial statements

30 June 2015

Principal business address:
P.O. Box 2723
Abu Dhabi
United Arab Emirates

Abu Dhabi Aviation

Condensed consolidated interim financial statements

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Independent auditors' report on the review of condensed consolidated interim financial statements

The Shareholders
Abu Dhabi Aviation

Introduction

We have reviewed the accompanying 30 June 2015 condensed consolidated interim financial statements of Abu Dhabi Aviation (the "Company") and its subsidiaries (together referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2015;
- the condensed consolidated interim statement of income for the three-month and six-month periods ended 30 June 2015;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2015;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June ;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2015; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2015 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The interim financial information for the six-month period ended 30 June 2014 and the consolidated financial statements for the year ended December 31, 2014 were reviewed and audited respectively by another auditor who expressed an unmodified review conclusion on the interim financial information for the six-month period ended 30 June 2014 on 23 July 2014 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2014 on 17 February 2015.

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268

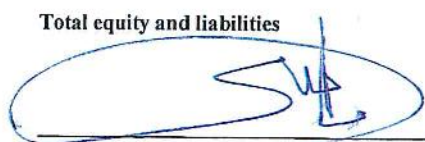
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Abu Dhabi Aviation

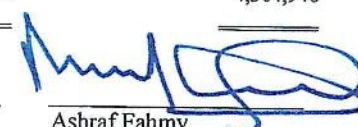
Condensed consolidated interim statement of financial position

as at

	Notes	30 June 2015 AED '000 (unaudited)	31 December 2014 AED '000 (audited)
Assets			
Non-current assets			
Property and equipment	4	2,840,749	2,857,449
Investment properties	5	180,319	178,590
Investments	6	16,031	72,888
Investment in a joint venture	7	39,098	38,656
Advances to suppliers		-	3,680
Total non-current assets		3,076,197	3,151,263
Current assets			
Inventories		366,590	352,009
Trade receivables	8	770,432	395,567
Prepayments and other current assets		120,156	210,119
Cash and cash equivalents	9	100,991	177,760
Assets classified as held for sale	10	-	1,135,455
Total current assets		1,358,169	1,53,683
Total assets		4,434,366	4,304,946
Equity			
Share capital	11	444,787	444,787
Share premium		112,320	112,320
Reserves		1,437,099	1,434,163
Retained earnings		273,863	207,835
Equity attributable to owners of the Company		2,268,069	2,199,105
Non-controlling interests		204,280	213,597
Total equity		2,472,349	2,412,702
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		128,306	120,978
Non-current portion of term loans	12	647,430	673,949
Non-current portion of finance lease liabilities		117,846	83,674
Deferred income		521,350	547,155
Amount due to a related party		19,752	33,670
Other non-current liability		-	16,916
Total non-current liabilities		1,434,684	1,476,342
Current liabilities			
Trade payables		83,714	103,838
Accrued expenses and other current liabilities		205,854	136,593
Current portion of term loans	12	140,256	139,940
Current portion of finance lease liabilities		949	35,531
Bank overdrafts	9	96,560	-
Total current liabilities		527,333	415,902
Total liabilities		1,962,017	1,892,244
Total equity and liabilities		4,434,366	4,304,946


Nader Ahmed Mohammed Al Hammadi
Chairman


Mohamed Ibrahim Al-Mazrouei
General Manager


Ashraf Fahmy
Chief Financial Officer

The notes set out on pages 7 to 14 form an integral part of these condensed consolidated interim financial statements.
The independent auditors' report on review of these condensed consolidated interim financial statements is set out on page 1.

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Condensed consolidated interim statement of income for the period ended

	<i>Notes</i>	3 months ended 30 June		6 months ended 30 June	
		2015	2014	2015	2014
		AED '000	AED '000	AED '000	AED '000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		518,033	382,245	959,110	734,423
Direct operating costs		(393,923)	(279,298)	(732,578)	(525,282)
Gross profit for the period		124,110	102,947	226,532	209,141
General and administrative expenses		(65,676)	(49,475)	(112,120)	(103,842)
Amortisation of deferred income		12,903	1,405	25,806	2,810
Income from investment property		1,666	1,768	3,164	3,424
Property rental expense		(612)	(527)	(1,188)	(1,157)
Gain / (loss) on disposal of property and equipment		1,002	-	382	(8,430)
Gain on disposal of asset classified as held for sale		-	-	1,100	6,182
Share of profit / (loss) of a joint venture		36	871	442	(509)
Finance income		729	204	1,768	461
Finance cost		(7,467)	(5,209)	(14,128)	(10,492)
Other income / (expense)		703	(2,649)	4,908	12,097
Profit for the period		67,394	49,335	136,666	109,685
Profit for the period attributable to:					
Owners of the Company		64,120	41,519	128,947	95,268
Non-controlling interests		3,274	7,816	7,719	14,417
Profit for the period		67,394	49,335	136,666	109,685
Basic and diluted earnings per share	13	AED 0.14	AED 0.09	AED 0.29	AED 0.21

The notes set out on pages 7 to 14 form an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of comprehensive income for the period ended

	<i>Notes</i>	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
		2015 AED '000 (unaudited)	2014 AED '000 (unaudited)	2015 AED '000 (unaudited)	2014 AED '000 (unaudited)
Profit for the period		67,394	49,335	136,666	109,685
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on the translation of investment property	5	7,904	3,420	1,729	4,560
Exchange difference on translation of foreign operations		-	9	-	-
Other comprehensive income for the period		7,904	3,429	1,729	4,560
Total comprehensive income for the period		75,298	52,764	138,395	114,245
Total comprehensive income attributable to:					
Owners of the Company		72,024	44,944	130,676	99,828
Non-controlling interests		3,274	7,820	7,719	14,417
		75,298	52,764	138,395	114,245

The notes set out on pages 7 to 14 form an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of changes in equity for the period ended 30 June 2015

	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 interests AED '000	Total AED '000
Balance at 1 January 2014 (audited)	404,352	112,320	1,337,442	179,561	2,033,675	181,923	2,215,598
Profit for the period	-	-	-	95,268	95,268	14,417	109,685
Other comprehensive income for the period	-	-	4,560	-	4,560	-	4,560
Total comprehensive income for the period	-	-	4,560	95,268	99,828	14,417	114,245
Bonus shares	40,435	-	-	(40,435)	-	-	-
Dividends	-	-	-	(40,435)	(40,435)	-	(40,435)
Equity derecognised due to liquidation of a subsidiary	-	-	12	630	642	463	1,105
Balance at 30 June 2014 (unaudited)	444,787	112,320	1,342,014	194,589	2,093,710	196,803	2,290,513
Balance at 1 January 2015 (audited)	444,787	112,320	1,434,163	207,835	2,199,105	213,597	2,412,702
Profit for the period	-	-	-	128,947	128,947	7,719	136,666
Other comprehensive income for the period	-	-	1,729	-	1,729	-	1,729
Total comprehensive income for the period	-	-	1,729	128,947	130,676	7,719	138,395
Dividends (<i>note 14</i>)	-	-	-	(53,374)	(53,374)	-	(53,374)
Acquisition of shares of a non-controlling shareholder	-	-	1,207	(9,545)	(8,338)	(17,036)	(25,374)
Balance at 30 June 2015 (unaudited)	444,787	112,320	1,437,099	273,863	2,268,069	204,280	2,472,349

The notes set out on pages 7 to 14 form an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of cash flows for the period ended

	6 months ended 30 June	
	2015	2014
	AED '000	AED '000
	(unaudited)	(unaudited)
Net cash (used in) / generated from operating activities	(46,698)	283,094
Investing activities		
Purchase of property and equipment	(98,168)	(91,089)
Payments for advances to suppliers	-	(13,536)
Payments for investments in a joint venture	-	(40,600)
Proceeds from disposal of property and equipment	15,168	14,115
Proceeds from disposal of assets classified as held for sale	19,328	48,502
Proceeds from / (payments for) investments - net	58,139	(73,582)
Acquisition of shares from a non-controlling shareholder	(14,836)	-
Finance income received	1,768	461
Decrease in margin deposit	986	594
Net cash used in investing activities	(17,615)	(155,135)
Financing activities		
Repayments of term loans	(26,204)	(20,854)
Finance costs paid	(14,128)	(10,492)
Payments for finance lease liabilities	(406)	(5,125)
Dividends paid to owners of the Company	(53,374)	(40,206)
Decrease in amount due to a related party	(13,918)	(5,420)
Net cash used in financing activities	(108,030)	(82,097)
Net (decrease) / increase in cash and cash equivalents	(172,343)	45,862
Cash and cash equivalents at the beginning of period	176,774	189,694
Cash and cash equivalents at end of period (note 9)	4,431	235,556

The notes set out on pages 7 to 14 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of these condensed consolidated interim financial statements is set out on page 1.

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Notes to the condensed consolidated interim financial statements *for the period ended 30 June 2015*

1 Legal status and principal activities

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

The Company and its subsidiaries (together referred to as the “Group”) have been established to own helicopters 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 Company’s registered address is P.O. Box 2723, Abu Dhabi, UAE.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial information have been prepared in accordance with IAS 34, “Interim Financial Reporting”. It does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the remeasurement of certain financial instruments and investment properties at fair value.

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the Group’s functional and presentational currency. All values are rounded to the nearest AED thousand, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognised in the condensed consolidated interim financial statements are described in note 4 of the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

3 Significant accounting policies

The accounting policies applied by the Group in the presentation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its audited financial statements as at and for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The adoption of the new and amended standards and interpretations did not have any impact on the financial position or performance of the Group during the period.

The condensed consolidated interim financial statements incorporate the financial statements of the Company, entities (including structured entities) controlled by the Company and its subsidiaries as disclosed below.

Name of subsidiary	Ownership interest		Country of incorporation	Principal activity
	30 June 2015	31 December 2014		
Maximus Air L.L.C.*	100%	95%	UAE	Air cargo
Royal Jet L.L.C.	50%	50%	UAE	Commercial air and transportation services
Herbal Hill Gardens Limited	100%	100%	Gibraltar	Investment property ownership
Dhafra Leasing L.L.C	100%	100%	Hungary	Representative office in Europe
ADA Real Estate Management and General Maintenance Ltd	100%	100%	UAE	Real estate and facilities
Maximus Airlines L.L.C.*	100%	95%	Ukraine	Air cargo services

* Effective 1 January 2015, the Company acquired additional 5% ownership interest in Maximus Air L.L.C. and Maximus Airlines L.L.C.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2015, and have not been applied in preparing these financial statements except for early adoption of IFRS 9 by the Group in 2009. Adoption of these new standards, amendments to standards and interpretations, except IFRS 15 'Revenue from Contracts with Customers', may not have material impact on the consolidated financial statements of the Group in the period of initial application.

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

4 Property and equipment

During the period, the Group spent AED 98.1 million (30 June 2014: AED 91.1 million) on the acquisition of property and equipment. Depreciation of property and equipment during the six months period ended 30 June 2015 is AED 100.1 million (30 June 2014: AED 60.7 million).

During the period, the Group sold certain assets with a carrying amount of AED 14.8 million for total proceeds of AED 15.2 million.

Property and equipment is primarily operated from the Group's base in the U.A.E.

5 Investment properties

Investment properties represent investments in a property of Royal Jet L.L.C located in Khalifa City, Abu Dhabi and a property of the Company located in London, United Kingdom. Property in London is registered in the name of Herbal Hill Gardens Limited, a company incorporated in Gibraltar for the purpose of owning the investment properties and wholly owned by the Group.

The fair value of the investment property is arrived at on the basis of a valuation carried out by an independent valuer not connected with the Group. The valuer is a member of a professional valuers' association, with appropriate qualifications and recent experience in the valuation of properties at the relevant locations. As at 30 June 2015, all of the Group's investment properties were grouped in level 3 of fair value hierarchy (inputs for the asset or liability that are not based on observable market data).

Management believes that there is no significant change in fair value of investment property as at 30 June 2015.

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
At 1 January	178,590	137,940
Increase in fair value – Khalifa City	-	37,800
Increase in fair value – London	-	10,925
Net foreign currency exchange difference	1,729	(8,075)
	<u>180,319</u>	<u>178,590</u>

6 Investments

The movement in investments at FVTOCI is as follows:

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Financial assets at fair value through other comprehensive income (FVTOCI)	16,031	72,888

As at 30 June 2015, all of the Group's investments were grouped in level 1 of fair value hierarchy (quoted prices in active markets for identical assets or liabilities).

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

6 Investments (continued)

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
At 1 January	72,888	31
Purchase of investments	18,231	73,034
Decrease in fair value	-	(177)
Disposals	(75,088)	-
	<u>16,031</u>	<u>72,888</u>

7 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. The Group's share of the results and assets and liabilities as at 30 June 2015 have been accounted for using the equity method.

8 Trade receivables

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Trade receivables (net of provisions)	728,681	366,408
Due from related parties	41,751	29,159
	<u>770,432</u>	<u>395,567</u>

9 Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated interim statement of cash flows comprise the following condensed consolidated interim statement of financial position amounts:

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Short-term deposits	32,590	2,156
Bank current accounts	65,597	173,404
Cash balances	2,804	2,200
	<u>100,991</u>	<u>177,760</u>
Cash and cash equivalents	100,991	177,760
Less: margin deposit	-	(986)
	<u>100,991</u>	<u>176,774</u>
Bank overdraft	(96,560)	-
	<u>4,431</u>	<u>176,774</u>
Cash and cash equivalents for the cash flow statement	4,431	176,774

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

9 Cash and cash equivalents (continued)

Cash and cash equivalents include AED 5.9 million (31 December 2014: AED 5.9 million) held in foreign banks abroad and the remaining balance is held within the U.A.E.

10 Assets classified as held for sale

During the period, the Group had finalised the sale of a commercial aircraft with carrying amount of AED 18.2 million. The sale proceeds of the commercial aircraft amounted to AED 19.3 million. A gain of AED 1.1 million on sale of the aircraft was recognised in profit or loss during the period.

11 Share capital

The share capital structure is as follows:

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Issued and fully paid:		
444,787,000 shares of AED 1 each	444,787	444,787

12 Term loans

Borrowings and repayments made against facilities of the Group are in accordance with the terms disclosed in the consolidated financial statements for the year ended 31 December 2014.

13 Basic and diluted earnings per share

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

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

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2015 (unaudited) AED '000	2014 (unaudited) AED '000	2015 (unaudited) AED '000	2014 (unaudited) AED '000
Profit attributable to owners of the Company	64,120	41,519	128,947	95,286
Weighted average number of shares in issue	444,787	444,787	444,787	444,787
Earnings per share (AED)	0.14	0.09	0.29	0.21

As at 30 June 2015, the Company had not issued any instruments that have an impact on earnings per share when exercised.

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

14 Dividends

Cash dividends of AED 0.12 per ordinary share (12% of par value) amounting to AED 53.4 million was approved by the shareholders at the annual general meeting held on 22 March 2015.

15 Contingent liabilities

As at 30 June 2015, the Group had outstanding contingent liabilities in respect of letters of guarantees of AED 129.9 million (31 December 2014: AED 89.1 million).

16 Commitments

Capital commitments

As at 30 June 2015, the Group had commitments for the acquisition of property and equipment of AED 83.3 million (31 December 2014: AED 373.5 million).

Operating commitments

The Group has a commitment to pay annual maintenance fees of AED 750,000 over the lease term of the related residential complex which falls due as follows:

	30 June 2015 (unaudited) AED '000	31 December 2014 (audited) AED '000
Due in less than one year	750	750
Later than one but not later than five years	3,000	3,000
Later than five years	15,375	15,750
	19,125	19,500

17 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.

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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.

Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

17 Segment information (continued)

Information regarding these segments is presented below:

	Helicopter & Fixed Wing Operations AED '000	Commercial Aircraft Operations AED '000	Air Cargo AED '000	Investments AED '000	Eliminations AED '000	Group AED '000
30 June 2015 (unaudited)						
Revenue	422,564	236,838	300,041	-	(333)	959,110
Profit for the period	63,087	15,439	56,164	1,976	-	136,666
30 June 2014 (unaudited)						
Revenue	390,729	247,598	98,241	-	(2,145)	734,423
Profit / (loss) for the period	78,690	28,846	(118)	2,267	-	109,685

The segment assets and liabilities are as follows:

	Helicopter & Fixed Wing Operations AED '000	Commercial Aircraft Operations AED '000	Air Cargo AED '000	Investments AED '000	Eliminations AED '000	Group AED '000
30 June 2015 (unaudited)						
Assets	3,038,457	1,345,481	413,446	196,350	(559,368)	4,434,366
Liabilities	957,169	976,168	32,524	-	(3,844)	1,962,017
31 December 2014 (audited)						
Assets	2,909,427	1,390,415	288,453	251,478	(534,827)	4,304,946
Liabilities	839,859	1,035,100	20,588	-	(3,303)	1,892,244

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Notes to the condensed consolidated interim financial statements for the period ended 30 June 2015

18 Related parties

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with related parties. Related parties comprise of the Group's shareholders, directors, senior management and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel.

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

	3 months ended 30 June		6 months ended 30 June	
	2015 (unaudited) AED '000	2014 (unaudited) AED '000	2015 (unaudited) AED '000	2014 (unaudited) AED '000
Revenue	24,548	66,763	59,760	111,886
Directors' fees paid	1,700	1,700	3,634	4,995
Finance cost on finance lease of aircraft	60	239	184	490
Key management compensation				
Salaries and other short-term employee benefits	2,067	4,471	6,285	8,724
Provision for employees' end of service benefits	181	439	358	760

19 Date of authorization for issue

The condensed consolidated interim financial statements were approved by management and authorised for issue on 21 July 2015.