

Abu Dhabi Aviation

Review report and condensed consolidated
interim financial statements

30 September 2018

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 Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Abu Dhabi Aviation

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial statements of Abu Dhabi Aviation (the "Company") and its subsidiaries (the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2018;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2018; 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 statements 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 condensed consolidated interim financial statements as at 30 September 2018 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Lower Gulf Limited

A handwritten signature in black ink, appearing to be 'EP', written over a faint circular stamp.

Emilio Pera
Registration No.: 1146
Abu Dhabi, United Arab Emirates
Date: **29 OCT 2018**

Abu Dhabi Aviation

Condensed consolidated interim statement of financial position

as at

		30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
	<i>Note</i>		
Assets			
Non-current assets			
Property and equipment	4	2,628,591	2,637,323
Investment properties	5	397,845	355,614
Investments	6	144,766	54,740
Investment in joint venture	7	51,256	46,889
		<hr/>	<hr/>
Total non-current assets		3,222,458	3,094,566
		<hr/>	<hr/>
Current assets			
Inventories		461,378	442,235
Trade receivables	8	569,217	454,877
Prepayments and other current assets		218,382	195,198
Cash and deposits with banks	9	290,098	503,154
Asset held for sale	10	8,975	8,975
		<hr/>	<hr/>
Total current assets		1,548,050	1,604,439
		<hr/>	<hr/>
Total assets		4,770,508	4,699,005
		<hr/>	<hr/>
Equity			
Share capital	11	444,787	444,787
Share premium		112,320	112,320
Reserves		1,755,707	1,762,407
Retained earnings		503,900	427,438
		<hr/>	<hr/>
Equity attributable to owners of the Company		2,816,714	2,746,952
Non-controlling interest		309,985	268,522
		<hr/>	<hr/>
Total equity		3,126,699	3,015,474
		<hr/>	<hr/>
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		144,493	142,519
Non-current portion of term loans	12	791,548	806,040
Non-current portion of finance lease liabilities		113,882	115,121
Non-current portion of deferred income		224,264	267,186
		<hr/>	<hr/>
Total non-current liabilities		1,274,187	1,330,866
		<hr/>	<hr/>

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Abu Dhabi Aviation

Condensed consolidated interim statement of financial position (*continued*)
as at

		30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
	<i>Note</i>		
Current liabilities			
Trade and other payables		92,324	100,457
Accrued expenses and other current liabilities		107,475	114,825
Current portion of term loans	12	80,434	72,101
Current portion of finance lease liabilities		1,240	1,148
Current portion of deferred income		51,034	50,751
Bank overdrafts	9	37,115	13,383
Total current liabilities		369,622	352,665
Total liabilities		1,643,809	1,683,531
Total equity and liabilities		4,770,508	4,699,005



Nader Ahmed Mohammed Al Hammadi
Chairman



Sheikh Ahmed Al Dhaheri
Vice Chairman



Ashraf Fahmy
Chief Financial Officer

The notes on pages 10 to 25 are 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 pages 1 and 2.

Abu Dhabi Aviation

Condensed consolidated interim statement of profit or loss (unaudited)

	For the three-month ended 30 September		For the nine-month ended 30 September		
	Note	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Revenue		460,910	423,860	1,298,238	1,204,828
Direct operating costs		(351,525)	(298,193)	(1,003,172)	(909,310)
Gross profit		109,385	125,667	295,066	295,518
General and administrative expenses		(36,117)	(30,724)	(142,461)	(119,320)
Income from investment property		4,390	5,486	14,810	8,246
Property rental expenses		(830)	(610)	(2,256)	(1,561)
Gain / (loss) on disposal of property and equipment		5,661	79	6,786	(1,242)
Insurance claims		-	15,288	-	15,288
Amortisation of deferred income		17,122	13,075	42,639	39,225
Share of profit of a joint venture		1,792	281	4,367	1,416
Finance income		2,071	188	4,756	873
Finance costs		(12,002)	(10,534)	(33,277)	(29,135)
Other income		1,996	(2,718)	15,780	12,266
Investments at FVTPL – net change in fair value	6	728	-	672	-
Profit for the period		94,196	115,478	206,882	221,574
Profit for the period attributable to:					
Owners of the Company		71,415	98,436	165,419	189,228
Non-controlling interests		22,781	17,042	41,463	32,346
		94,196	115,478	206,882	221,574
Basic and diluted earnings per share (AED)	13	0.16	0.22	0.37	0.43

The notes on pages 10 to 25 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of profit or loss and other comprehensive income (unaudited)

	<i>Note</i>	For the three-month ended 30 September		For the nine-month ended 30 September	
		2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Profit for the period		94,196	115,478	206,882	221,574
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences	5	(1,336)	4,274	(4,544)	10,686
Investments at FVOCI – net change in fair value	6	373	-	(2,156)	-
Other comprehensive (loss) /income for the period		(963)	4,274	(6,700)	10,686
Total comprehensive income for the period		93,233	119,752	200,182	232,260
Total comprehensive income attributable to:					
Owners of the Company		70,452	102,710	158,719	199,914
Non-controlling interests		22,781	17,042	41,463	32,346
		93,233	119,752	200,182	232,260

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Condensed consolidated interim statement of changes in equity
for the nine-month ended

	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 2017 (audited)	444,787	112,320	1,593,381	416,978	2,567,466	228,591	2,796,057
Profit for the period	-	-	-	189,228	189,228	32,346	221,574
Other comprehensive income for the period	-	-	10,686	-	10,686	-	10,686
Total comprehensive income	-	-	10,686	189,228	199,914	32,346	232,260
Dividends (<i>note 14</i>)	-	-	-	(75,614)	(75,614)	-	(75,614)
Balance at 30 September 2017 (unaudited)	444,787	112,320	1,604,067	530,592	2,691,766	260,937	2,952,703
Balance at 1 January 2018 (audited)	444,787	112,320	1,762,407	427,438	2,746,952	268,522	3,015,474
Profit for the period	-	-	-	165,419	165,419	41,463	206,882
Other comprehensive loss for the period	-	-	(6,700)	-	(6,700)	-	(6,700)
Total comprehensive income	-	-	(6,700)	165,419	158,719	41,463	200,182
Dividends (<i>note 14</i>)	-	-	-	(88,957)	(88,957)	-	(88,957)
Balance at 30 September 2018 (unaudited)	444,787	112,320	1,755,707	503,900	2,816,714	309,985	3,126,699

The notes on pages 10 to 25 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of cash flows (unaudited) for the nine-month ended 30 September

	<i>Note</i>	2018 AED'000	2017 AED'000
Cash flows from operating activities			
Profit for the period		206,882	221,574
<i>Adjustments for:</i>			
- Depreciation	4	120,076	133,146
- Net change in provisions against trade receivables		800	(16,443)
- Provision for employees' end of service benefits		15,773	15,883
- Amortisation of deferred income		(42,639)	(39,225)
- (Gain)/loss on disposal of property and equipment		(6,786)	1,242
- Insurance claims		-	(15,288)
- Share of profit of a joint venture		(4,367)	(1,416)
- Impairment loss of goodwill		-	836
- Finance costs		33,277	29,135
- Finance income		(4,756)	(873)
- Change in fair value of investments		(672)	-
		317,588	328,571
<i>Changes in:</i>			
- Inventories		(19,143)	(2,683)
- Trade receivables		(115,140)	65,804
- Prepayments and other current assets		(53,444)	41,222
- Trade and other payables		(8,133)	(13,151)
- Accrued expenses and other current liabilities		(7,350)	(41,500)
Cash generated from operating activities		114,378	378,263
Employees' end of service benefits paid		(13,799)	(9,129)
Net cash from operating activities		100,579	369,134

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Abu Dhabi Aviation

Condensed consolidated interim statement of cash flows (unaudited) (*continued*)
for the nine-month ended 30 September

	<i>Note</i>	2018 AED'000	2017 AED'000
Cash flows from investing activities			
Acquisition of property and equipment		(127,624)	(98,563)
Purchase of investment properties		(6,329)	(182,800)
Payments for investments		(91,510)	-
Proceeds from disposal of property and equipment		12,880	31,456
Insurance claims received		-	15,288
Proceeds from disposal of asset held for sale		-	21,315
Finance income received		4,756	873
Investment in deposits with maturities over three months - net		133,257	18,375
		<hr/>	<hr/>
Net cash used in investing activities		(74,570)	(194,056)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from term loans	<i>12</i>	50,000	-
Repayment of term loans		(56,159)	(64,820)
Decrease in due to a related party		-	(5,429)
Payments for finance lease liabilities		(1,147)	(1,063)
Dividends paid	<i>14</i>	(88,957)	(75,614)
Finance costs paid		(33,277)	(28,826)
		<hr/>	<hr/>
Net cash used in financing activities		(129,540)	(175,752)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(103,531)	(674)
		<hr/>	<hr/>
Cash and cash equivalents at 1 January		158,713	121,628
		<hr/>	<hr/>
Cash and cash equivalents at 30 September	<i>9</i>	55,182	120,954
		<hr/> <hr/>	<hr/> <hr/>

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Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

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 (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, United Arab Emirates.

2 Basis of preparation

(a) *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable requirements of the laws of the UAE. These condensed consolidated interim financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2017 (‘last annual financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

These condensed consolidated interim financial statements are presented in United Arab Emirates Dirham (“AED”), which is the Company’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 in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in these condensed consolidated interim financial statements are described in note 3 of the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time (except as explained below), IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the condensed consolidated interim financial information of the Group.

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

i. IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group has not applied the requirements of IFRS 15 to the comparative period presented.

Rendering of services

The Group is involved in providing aviation services, as well as performing related services. The Group recognises revenue when the services are provided and the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised at the point, provided the revenue and costs can be measured reliably, the recovery is probable and there is no continuing management involvement with the services to be rendered.

Under IFRS 15, revenue is recognised when a customer receives the services. For some contracts wherein the related services are performed, the revenue from these contracts is recognised as the services are provided to the customer.

Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

i. IFRS 15 Revenue from Contracts with Customers (continued)

Rendering of services (continued)

The Group's assessment indicates that for each contract they have separate performance obligation and transaction price is determinable. Revenue is recorded as each performance obligation is settled. The Group has fixed price contracts and the right to receive revenue is unconditional.

Therefore, the adoption of IFRS 15 did not have a significant impact on the timing of revenue recognition and the amount of revenue to be recognised.

ii. IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets

The Group had early adopted IFRS 9 *Financial Instruments: Classification and measurement* in 2009 in advance of its effective date. The Group had chosen 31 December 2009 as its date of initial application (i.e. the date on which the Group had assessed its existing financial assets) as this was the first reporting period end since the Standard was issued on 12 December 2009. The Group has also adopted amendments to classification and measurement of financial instruments issued as part of IFRS 9 (2014).

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the contract. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value. The Group subsequently measures financial assets either at amortised cost or fair value.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Classification of financial assets

On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

ii. IFRS 9 Financial Instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

The Group had the following financial assets as at 30 September 2018: cash and cash equivalents, loans and receivables, financial assets at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI).

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks in current accounts and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

Loans and receivables

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

However, for investments in equity instruments that are not held-for-trading, at initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVOCI). Investments in equity instruments at FVOCI, 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. Where the asset is disposed off, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'other income' line item in the profit or loss.

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Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

ii. IFRS 9 Financial Instruments (continued)

Financial assets (continued)

Impairment of non-derivative financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which determine on a probability-weighted basis.

The new impairment model applies to the financial assets measured at amortised cost or FVOCI, except for investment equity instruments, and to contract assets.

Under IFRS 9, loss allowance is measured on either of the following bases:

12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Group determines that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. The Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

Financial liabilities and equity instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

ii. IFRS 9 Financial Instruments (continued)

Financial liabilities and equity instruments (continued)

The Group's financial liabilities comprise trade and other payables, accrued expenses and other current liabilities, due to a related party, term loans, finance lease liabilities and other non-current liability, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

Based on its assessment the Group concluded that the application of IFRS 9 has no impact on its condensed consolidated interim financial statements.

iii. Property and equipment

The Company has reassessed the useful life of buildings and the changes have been applied prospectively as from 1 January 2018.

The estimated useful life for buildings in the current year and comparative period is as follows:

	Life in years
Buildings	30 (2017: 25 years)

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

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	30 September 2018	31 December 2017		
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

Abu Dhabi Aviation

Notes to the condensed consolidated interim financial statements

4 Property and equipment

During the period ended 30 September 2018, the Group incurred AED 127.6 million (31 December 2017: AED 107.8 million) on the acquisition of property and equipment. Depreciation of property and equipment during this period amounted to AED 120.1 million (31 December 2017: AED 177.9 million).

During the period ended 30 September 2018, the Group disposed of certain assets with a carrying amount of AED 16.4 million for total proceeds of AED 23.1 million out of which AED 12.9 million has been received in cash and AED 10.2 million is receivable as at 30 September 2018. Property and equipment is primarily operated from the Group's base in the United Arab Emirates.

5 Investment properties

Investment properties represent investment in a property owned by Royal Jet L.L.C. located in Khalifa City, Abu Dhabi, a property of the Company located in London, United Kingdom, premises located in Al Rawdhat, Abu Dhabi and two properties in Satwa Redevelopment Zone, Dubai. 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 property and wholly owned by the Group.

	30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Balance at 1 January	355,614	161,252
Increase in fair value – London	-	74
Investment properties – Al Rawdhat	260	182,800
Investment property under construction (<i>note 5.1</i>)	46,515	-
Net foreign currency exchange difference	(4,544)	11,488
	397,845	355,614

The fair value of the investment properties was arrived at on the basis of a valuation carried out on 31 December 2017, by independent valuers not connected with the Group. The valuers are members of a professional valuers' association, with appropriate qualifications and recent experience in the valuation of properties at the relevant locations. Management believes that there is no significant change in fair value of investment properties as at 30 September 2018.

The fair value was derived using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data. As at 30 September 2018, all of the Group's investment properties were grouped in Level 2 of fair value hierarchy (31 December 2017: Level 2).

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

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6 Investments

	30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Financial assets at fair value through profit or loss	19,072	-
Financial assets at fair value through other comprehensive income	125,694	54,740
	144,766	54,740
Balance at 1 January	54,740	-
Purchase of investments (<i>note 6.1</i>)	91,510	54,740
Change in fair value	(1,484)	-
	144,766	54,740

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

Investment in Waha CEEMEA Fixed Income Fund SP	19,072	-
Investment in Abu Dhabi Commercial Bank (ADCB) bonds	125,694	54,740

- 6.1** The Group has invested AED 18.4 million for the purchase of 5,000 shares in Waha CEEMEA Fixed Income Fund SP which has been established as a segregated portfolio of Waha Investment Management Company SPC (a company incorporated with limited liability on 30 October 2014 and registered as a segregated portfolio company in the Cayman Islands).

Also, the Group has increased its investment in ADCB bonds by AED 73.1 million during the period ended 30 September 2018.

7 Investment in a joint venture

The Group has a 70% equity shareholding with equal voting power in AgustaWestland Aviation Services L.L.C., a joint venture established in the Emirate of Abu Dhabi, UAE as a limited liability company. AgustaWestland Aviation Services L.L.C. is engaged to undertake repairs, overhaul, customisation, modification and upgrading of helicopters; and sale of helicopter spare parts and accessories. The Group's share of the results, assets and liabilities as at 30 September 2018 has been accounted for using the equity method.

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8 Trade receivables

	30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Trade receivables (net of provisions)	528,321	428,951
Due from related parties	40,896	25,926
	569,217	454,877

9 Cash and deposits with banks

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 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Deposits	197,801	331,058
Bank current accounts	89,766	169,019
Cash in hand	2,531	3,077
Cash and deposits with banks in the condensed consolidated interim statement of financial position	290,098	503,154
<i>Less: bank overdrafts used for cash management purposes</i>	(37,115)	(13,383)
<i>Less: deposits with maturities over three months</i>	(197,801)	(331,058)
Cash and cash equivalents in the condensed consolidated interim statement of cash flows	55,182	158,713

Cash and deposits with banks include an amount of AED 15.9 million (31 December 2017: AED 13.6 million) held in foreign banks abroad and the remaining balance is held within the UAE.

10 Asset held for sale

As at 30 September 2018 the Group has one aircraft as asset held for sale. Management is committed to sell this aircraft and expects to complete this transaction in 2018.

11 Share capital

	30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Issued and fully paid:		
444,787,000 shares of AED 1 each	444,787	444,787

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12 Term loans

AED 50 million term loan of Abu Dhabi Aviation

During the period ended 30 September 2018, a term loan from a local bank amounting to AED 50 million was obtained to finance 50% of the purchase cost of two AW139 helicopters. The loan is repayable in twenty four equal quarterly installments. The first principal repayment has started from August 2018, six months from the date of loan drawdown. Residual balance of principal or interest, if any, is to be settled on the final maturity date. The interest is calculated by reference to three month EIBOR plus 1.40% per annum.

All other 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 2017.

13 Basic and diluted earnings per share

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

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

	For the three-month ended 30 September		For the nine-month ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit attributable to owners of the Company (AED'000)	71,415	98,436	165,419	189,228
Weighted average number of shares in issue ('000)	444,787	444,787	444,787	444,787
Earnings per share (AED)	0.16	0.22	0.37	0.43

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

14 Dividends

Cash dividends of AED 0.20 per ordinary share (20% of par value) amounting to AED 89.0 million (2017: AED 75.6 million) were approved by the shareholders at the annual general meeting held on 13 March 2018.

15 Contingent liabilities

As at 30 September 2018, the Group had outstanding contingent liabilities in respect of letters of guarantee amounting to AED 70.5 million (31 December 2017: AED 55.1 million).

16 Commitments

Capital commitments

As at 30 September 2018, the Group had estimated commitments for the acquisition of property and equipment of AED 86.9 million (31 December 2017: AED 92.4 million).

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16 Commitments (continued)

Operating commitments

	30 September 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Due in less than one year	16,659	16,457
Later than one but not later than five years	5,352	16,164
Later than five years	12,750	13,500
	34,761	46,121

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 aircrafts 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.

A. Information about reportable segments

	Helicopter and fixed wing operations AED'000	Commercial aircraft operations AED'000	Air cargo AED'000	Investments AED'000	Others AED'000	Eliminations AED'000	Group AED'000
30 September 2018 (unaudited)							
Revenue	460,555	455,724	371,054	-	30,434	(19,529)	1,298,238
Profit for the period	51,563	82,926	65,559	10,578	3,288	(7,032)	206,882
30 September 2017 (unaudited)							
Revenue	498,013	428,434	289,758	-	-	(11,377)	1,204,828
Profit for the period	94,611	64,692	55,586	6,685	-	-	221,574

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17 Segment information (continued)

The segment assets and liabilities were as follows:

	Helicopter and fixed wing operations AED'000	Commercial aircraft operations AED'000	Air cargo AED'000	Investments AED'000	Others AED'000	Eliminations AED'000	Group AED'000
30 September 2018 (unaudited)							
Assets	3,048,397	1,417,535	636,926	542,611	225,534	(1,100,495)	4,770,508
Liabilities	911,115	839,511	53,900	-	9,698	(170,415)	1,643,809
31 December 2017 (audited)							
Assets	3,036,101	1,442,382	683,072	355,614	194,514	(1,012,678)	4,699,005
Liabilities	807,958	947,284	37,705	-	160,362	(269,778)	1,683,531

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.

B. Reconciliation of reportable segment profit or loss

	For the nine-month ended 30 September	
	2018 (unaudited) AED'000	2017 (unaudited) AED'000
Total profit for reportable segments	210,626	221,574
Profit for other segments	3,288	-
Elimination of inter-segment profit	(7,032)	-
	206,882	221,574

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.

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18 Related parties (continued)

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

	For the three-month ended 30 September		For the nine-month ended 30 September	
	2018 (unaudited) AED'000	2017 (unaudited) AED'000	2018 (unaudited) AED'000	2017 (unaudited) AED'000
Revenue	<u>49,249</u>	<u>57,050</u>	<u>149,859</u>	<u>148,268</u>
Finance costs on finance lease of aircraft	<u>12</u>	<u>40</u>	<u>63</u>	<u>140</u>
Key management compensation				
Salaries and other short term employee benefits	<u>4,114</u>	<u>4,172</u>	<u>13,616</u>	<u>12,783</u>
Directors' fees	<u>2,255</u>	<u>1,525</u>	<u>7,528</u>	<u>6,435</u>
Provisions for employees' end of service benefits	<u>371</u>	<u>476</u>	<u>952</u>	<u>1,287</u>

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19 Financial instruments

19.1 Fair value of financial instruments

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 30 September 2018	Carrying amounts					Fair values			
	FVTPL - equity Instruments AED'000	FVOCI - debt instruments AED'000	Financial assets at amortized cost AED'000	Other financial liabilities 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	19,072	-	-	-	19,072	-	19,072	-	19,072
Investment in ADCB bonds	-	125,694	-	-	125,694	125,694	-	-	125,694
	19,072	125,694	-	-	144,766	125,694	19,072	-	144,766
Financial assets not measured at fair value									
Trade receivables	-	-	569,217	-	569,217	-	-	-	-
Other current assets	-	-	150,270	-	150,270	-	-	-	-
Cash and bank balances	-	-	290,098	-	290,098	-	-	-	-
	-	-	1,009,585	-	1,009,585	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	(92,324)	(92,324)	-	-	-	-
Term loans	-	-	-	(871,982)	(871,982)	-	-	-	-
Finance lease liabilities	-	-	-	(115,122)	(115,122)	-	-	-	-
Bank overdrafts	-	-	-	(37,115)	(37,115)	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	(107,475)	(107,475)	-	-	-	-
	-	-	-	(1,224,018)	(1,224,018)	-	-	-	-

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19 Financial instruments (continued)

19.1 Fair value of financial instruments (continued)

At 31 December 2017	Carrying amounts					Fair values			
	FVTPL - equity instruments AED'000	FVOCI - debt instruments AED'000	Financial assets at amortized cost AED'000	Other financial liabilities 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 ADCB bonds	-	54,740	-	-	54,740	54,740	-	-	54,740
	-	54,740	-	-	54,740	54,740	-	-	54,740
Financial assets not measured at fair value									
Trade receivables	-	-	454,877	-	454,877	-	-	-	-
Other current assets	-	-	92,018	-	92,018	-	-	-	-
Cash and bank balances	-	-	503,154	-	503,154	-	-	-	-
	-	-	1,050,049	-	1,050,049	-	-	-	-
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	(100,457)	(100,457)	-	-	-	-
Term loans	-	-	-	(878,141)	(878,141)	-	-	-	-
Finance lease liabilities	-	-	-	(116,269)	(116,269)	-	-	-	-
Bank overdrafts	-	-	-	(13,383)	(13,383)	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	(114,825)	(114,825)	-	-	-	-
	-	-	-	(1,223,075)	(1,223,075)	-	-	-	-

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20 Other disclosures

As at 30 September 2018, the Group has no exposure of investments in and relation with Abraaj Group and / or any of its projects or funds.

21 Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by management and authorised for issue by the Board of Directors on 29 October 2018.