His Highness Sheikh
Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates

His Highness Sheikh Dr.
Sultan Bin Mohammad Al Qasimi
Member of the Supreme Council Ruler of Sharjah

OUR VISION

"To be one of the world's leading budget airlines" In terms of:

- Profit Margin
- Innovation
- Reputation
- Operational Excellence

OUR MISSION

"To revolutionise air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation."

To achieve this we will:

- Be known for our low fares
- Grow our business profitably
- Build motivated multi-functional teams
- Demonstrate the highest operational standards
- Manage our costs ruthlessly

In 2013, Air Arabia's global network crossed the 87 destinations mark operating from three strategic hubs in UAE, Morocco and Egypt

G9

Air Arabia's ambitious network expansion strategy was central to the significant growth in passenger numbers witnessed in 2013. Air Arabia added eight new routes from its main hub at Sharjah International Airport to Yerevan, in Armenia; Lar and Mashhad in Iran; Baghdad in Iraq; Sialkot in Pakistan; Abha, Hai'l and Hofuf in Saudi Arabia. The growth pattern from the carrier's main hub has been expanded to over 68 airports with special focus to KSA and the GCC region.

E5 3O

Air Arabia Maroc and Air Arabia Egypt maintained their regular operations by serving five cities from Egypt and 20 cities from Morocco. The carrier will further invest in increasing its reach at the right time.

AIR ARABIA'S MESSAGE

Dear Shareholders,

The last financial year was one of special significance for Air Arabia. The airline completed a decade of successful operations, marking one great milestone in the history of Arab Aviation. This year's letter will focus on the many important steps forward that have been taken to support Air Arabia's continued growth across all areas of the business.

It gives us great pride to say that 2013 witnessed the celebration of a decade of low cost air travel in the Middle East and North Africa region since Air Arabia started operations in October 2003. In accordance with the vision of His Highness Dr Sheikh Sultan Bin Mohammad Al Qassimi, Member of the Supreme Council and Ruler of Sharjah, The Board of Directors and the Management of the airline have continued to drive Air Arabia's performance to new heights, investing in customer service and bringing solid and sustainable returns on investment to you, our shareholders.

While 2013 has seen further escalation in the surrounding regional politics; the overall economy has seen a positive improvement, especially in Air Arabia's home base the United Arab Emirates. We have seen a stronger performance in various sectors of the economy and financial markets have seen one of the strongest comebacks in their respective histories. Air Arabia has also seen its share price double fold in the past 12 month driven by the strong performance and market appeal for investment.

Air Arabia's growth in 2013 was supported by strong increase in passenger traffic, with the airline reporting a strong 15% growth in its passenger numbers, carrying over 6.1 million customers. Air Arabia's adopted fuel hedging strategy has and over the past 3 years helped the airline save on fuel costs and manage fuel price fluctuations in best ways possible.

We have celebrated our tenth anniversary with further expansion across all areas of the business. We have continued our route expansion plan for the year, entering new markets and increasing frequency on others as well as increasing our market share. We have also remained loyal to our low cost philosophy and continued to drive our operational costs lower. We have significantly increased our investment in our fleet growth and maintenance by taking delivery of seven brand new Airbus A320 aircraft in 2013. We are proud to say that Air Arabia is the first airline in the Middle East to take delivery of Sharklet equipped Airbus A320, further enabling the airline to achieve increased operational efficiency. In addition, our supporting businesses continue to increase their contribution to the Group's bottom-line. We foresee a good growth and return on investment from those businesses along with the ongoing growth of Air Arabia.

The year 2013 has also seen special focus on taking the customer service and experience to new heights. We embarked on a series of improvements across all customer interaction areas, whether at our main base in Sharjah International Airport or onboard our flights, introducing new programs and launching new services. We have also invested in additional sales offices to have a wider coverage especially in the GCC markets. In addition, we have launched our new state-of-the art website providing our customers with even a greater online experience.

We have also continued our organic growth from Air Arabia's operating hubs in Sharjah, Casablanca and Alexandria. Air Arabia Egypt maintained its existing operations, which is considered a great achievement considering the transition that Egypt is still going through. Air Arabia Maroc has also strengthened its position in Europe by linking various airports in Morocco and Europe. We have also maintained growth from our base at Sharjah International Airport by adding eight new routes and increasing frequencies to many existing ones. We are proud to say that Air Arabia can now fly you to over 90 destinations across the globe.

In 2013, we continued to introduce new products and services to further add value to our customers. Air Arabia subsidiaries have also continued to develop and profitably contributing to the bottom line of the Group.

During last year's Annual General Meeting, the Board proposition of 7% cash dividend was ratified. This is a testament to our promise of continuous return to our investors. This year we have continued our legacy of being one of the world's most profitable airlines and registered a net profit of AED 435 million for 2013 while revenues touched AED3.2 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model.

Air Arabia has completed a decade of continuous success, growth and profitability and as we always say to our people, this is just the beginning. We are confident that the business model that Air Arabia created, the efficiency of our operations and our compelling value-for-money customer proposition will continue to chart its path of success.

Finally, we would like to close by expressing gratitude to the 40 million customers who chose to fly Air Arabia over the past 10 years; and as always to shareholders for your continued support. Operating conditions remain challenging; however the state of the Air Arabia Group remains stronger.

Yours Sincerely,

Abdulla Bin Mohammed Al Thani
Chairman

Adel Abdullah Ali
Board Member and Group CEO

2013 IN REVIEW

JANUARY

- Air Arabia partners with UAE National Emergency Crisis and Disasters Management Authority.
- Sharjah Aviation Services launches Go Green initiatives in partnership with Air Arabia and Sharjah Airport.
- Air Arabia takes delivery of first Sharklet equipped Airbus A320 aircraft

FEBRUARY

- Air Arabia announces 2012 annual net profits of 425 million.
- Air Arabia partners with Sharjah Social Empowerment to help renovate houses for underprivileged families.

MARCH

- Air Arabia takes delivery of second aircraft in 2013.
- Air Arabia approves 7 per cent cash dividend at Annual General Meeting.

APRIL

- Air Arabia breaks passenger record in first quarter of 2013.

MAY

- Air Arabia signs US$350 million financing deal with QNB & CBI.
- Air Arabia takes off to Abha, Saudi Arabia.
- Air Arabia celebrates one million flight hours with CFM engines.

JUNE

- Air Arabia's third Arab Aviation and Media Summit take place in Salalah, Oman.

AWARDS

Air Arabia continues to be recognized, locally and internationally, for its strong performance and community efforts. The airline won several awards in 2013 that recognizes the appealing business and excellent product. Air Arabia named Best Low-Cost Airline, Middle East at Skytrax World Airline Awards that took place in France in July.

The airline also won the Brand Leadership Award, by the 3rd Asian Leadership Awards for Excellence in Branding & Marketing. Air Arabia was also names "Low Cost Carrier of the Year" at the 2013 Aviation Business Awards as well as Highly commended winner of the "Corporate Social Responsibility Award" at the same event.

2013 IN REVIEW

JULY

- Air Arabia named Best Low-Cost Airline, Middle East at Skytrax World Airline Awards.

AUGUST

- Air Arabia takes off to Yerevan, Armenia.

SEPTEMBER

- Air Arabia celebrates fifth anniversary of operations in Ukraine.

OCTOBER

- Air Arabia & Mashreq create the first-ever spend anywhere, fly anytime credit card.
- A decade of flying high: Air Arabia celebrates 10 year anniversary.

NOVEMBER

- Air Arabia takes off to Hofuf, Saudi Arabia.
- Air Arabia wins "Low Cost Carrier of the Year" and "Corporate Social Responsibility Award" at the 2013 Aviation Business Awards.
- Air Arabia 'City Check-in Terminal' opens in Safeer Mall, Sharjah.

DECEMBER

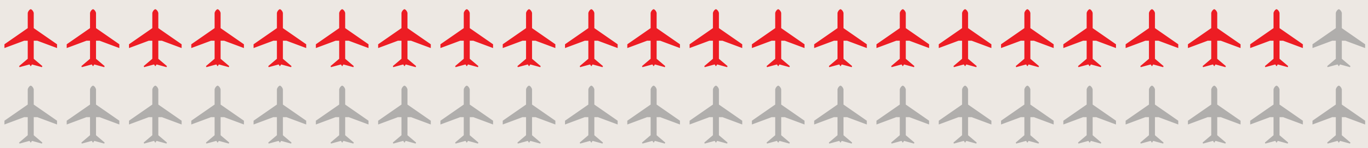
- Air Arabia enhances online offering by launching an all new website.

OUR FLEET

Air Arabia operates one of the youngest fleets in the world comprised entirely of Airbus A320 aircrafts. The carrier has ended the year by receiving seven new aircrafts in 2013. Thus, Air Arabia has taken delivery of 21 out of the 44 A320 aircrafts ordered back in 2007. The delivery of the 44 new aircrafts will be completed by 2016, and will more than double the size of Air Arabia's fleet which in line with the carrier's aim to increase its total operating fleet to more than 50 aircrafts. In 2013, Air Arabia taken delivery of its first Sharklet equipped Airbus A320 aircraft.

Air Arabia becomes the first airline in the Middle East to take delivery of Sharklet equipped Airbus A320, further enabling the airline to achieve increased operational efficiency.

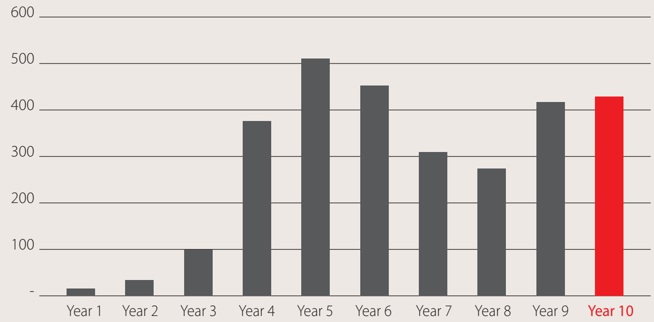
This growth of Air Arabia fleet size could only be supported with a range of infrastructure projects that assure fleet support in the long run. As a result, the airline invested in its own state-of-the-art aircraft Hangar at Sharjah International Airport which was designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet.



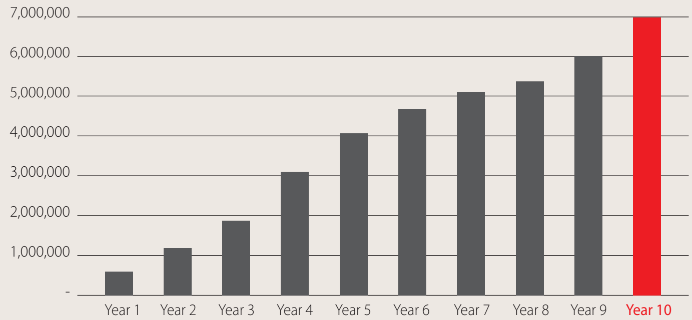
A PATH OF EXCELLENCE

A decade of excellence is best summarized in the following set of performance indicators:

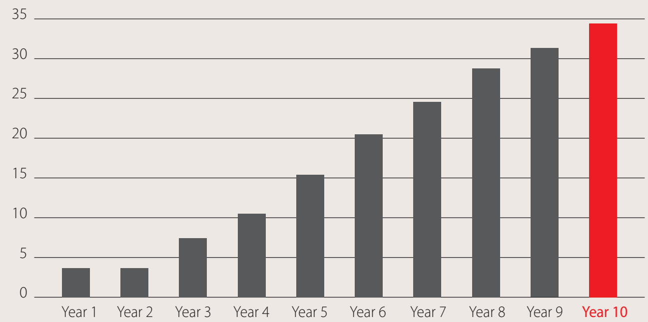
PROFITABILITY
(AED MILLIONS)



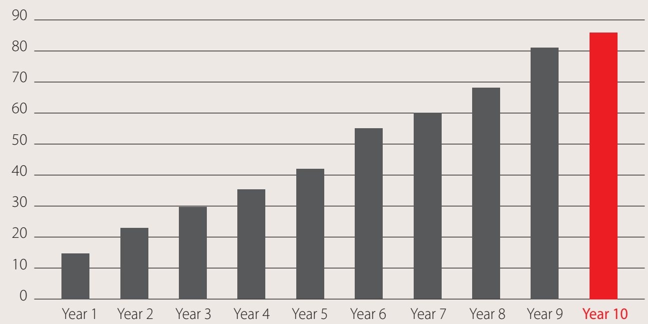
PASSANGERS



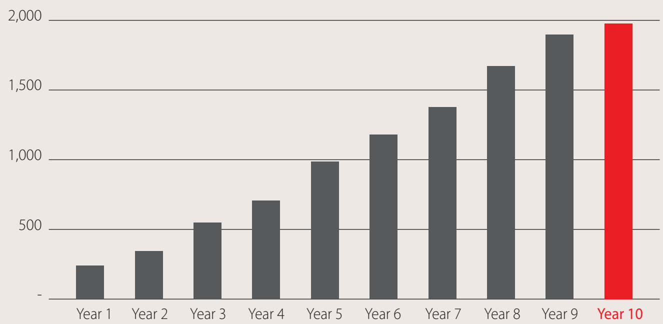
FLEET SIZE



DESTINATIONS



EMPLOYEES



CORPORATE SOCIAL RESPONSIBILITY

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of the less fortunate. Taking responsibility of the social needs of local and international communities and aiding them has played a part in the carrier's success. To this end, Air Arabia has implemented a Corporate Social Responsibility program for sustainable development with an emphasis on providing better education and healthcare for underprivileged communities.

Air Arabia was among the first to introduce a sustainable CSR initiative by launching 'Charity Cloud' project in collaboration with Sharjah Charity International. The program aims in raising funds through certain initiatives such as on-board donations. The fund is raised, collected annually and re-invested in educational and medical care establishments in countries in need across Air Arabia network.

Charity Cloud Clinics have been established in Sudan, Sri Lanka, Yemen and Turkey while Charity Cloud Schools have been established in Sri Lanka, Nepal and India. Moreover, Charity Cloud Project has also planned Social Initiatives against Meningitis in Sudan, initiatives against Heart Disease in Yemen and many more.

In 2013, Air Arabia encouraged staff to get involved in CSR activities and initiated projects to this effect. One such initiative was to visit the Charity Cloud Schools in India and Sri Lanka. Volunteers from various departments at Air Arabia visited the school. Another award-winning project undertaken in 2013 was in collaboration with Sharjah Social Empowerment Foundation where a team of employees helped renovate a house in Sharjah. Employees joined hands with social workers and on-site professionals to take the project forward and complete the task.

Projects completed in 2013 include:	
Staff renovate a house for an underprivileged family	UAE
Staff visit Charity Cloud Schools	India, Sri Lanka
Staff visit Charity Cloud Clinic	Yemen
Participate in the Walk for Autism	UAE
Staff visit 2 orphanages and Old people's house	Bangalore, India
Staff donate money for Philippines	UAE

Charity Cloud initiative also won the Corporate Social Responsibility Award at Aviation Business Awards for second year in a row.

In line with its commitment towards serving its local community, Air Arabia has signed a Memorandum of Understanding with Sharjah City for Humanitarian Services (SCHS) in November 2010. Under the terms of the agreement, the airline provides support to those with physical and mental disabilities. This will include financial aid, wheelchair services at airports, specific seat allocations for disabled passengers, and special printing for the visually impaired and sign language.

AIR ARABIA GROUP

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM:AIRARABIA) is now a holding company worth over AED 9 billion. Established with a modest capital back in October 2003 as the regions first low cost carrier, Air Arabia today consists of a group of airlines and companies offering travel and tourism services across the globe and holds a portfolio of successful businesses and projects. Air Arabia operates from three hubs in Sharjah International Airport, UAE; Mohamed V International Airport in Morocco and Burj Al Arab International Airport in Alexandria, Egypt.

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airarabia.com

AIR ARABIA (UAE)

Air Arabia was able to re-define air travel in this part of the world through offering superb value for money travel along with comfortable and reliable operations.

SHARJAH AVIATION SERVICES (SAS)

Sharjah Aviation Services delivers a comprehensive range of passenger, ramp and cargo handling services for airline operators and their customers at the airport.

AIR ARABIA (MAROC)

Air Arabia's second hub in Casablanca is providing the airline with a platform from which to reach the wider Europe, Middle East and Africa (EMEA) market.

ALPHA FLIGHT ACADEMY

This academy helps Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.

AIR ARABIA (EGYPT)

Air Arabia third hub after UAE and Morocco. From its base in Alexandria this carrier contributes to the on-going development of the Egyptian travel and tourism sector.

ALPHA FLIGHT SERVICES

The company was established in 2007 to support and enhance the quality of on board catering needs.

CENTRO SHARJAH HOTEL

The property, which includes both standard rooms and suites, is located near to Sharjah International Aiprort.

COZMO TRAVEL

Cozmo Travel, a UAE-based travel agency providing a wide range of innovative individual and corporate travel solutions.

RADISSON BLU, DUBAI MARINA

Situated in an up-market neighborhood near to the beachfront and on the marina, Radisson Blu Residence, Dubai Marina is located in the heart of all action.

MAINTENANCE HANGAR

Located at Sharjah International Airport and has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet.

STUDIO APARTMENTS

The project was completed in first quarter of 2010 and currently offers Air Arabia staff a total of 152 apartments.

FLIGHT SIMULATOR

This US$10 million flight simulator is used to provide world-class flight training for up to 400 pilots per year.

INFORMATION SYSTEM ASSOCIATES (ISA)

ISA unique creation is the state of the art reservation system 'AccelAero' that is now used by many low cost airlines across the world.

Air Arabia PJSC

Corporate Governance Report 2013

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Air Arabia Governance report for the 2013

1. Practices of corporate governance

Air Arabia has been one of the leading companies in applying the principles of corporate governance among the public companies. Air Arabia strongly believes in the importance of the practical application of governance practices and the strong adherence to the related laws & regulations and the operations within the general framework of the principles of corporate governance which preserves the rights and interests of the company, its investors, its management and the investment environment surrounding it.

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law (Federal Law No. (8) Of 1984 concerning Commercial Companies and subsequent resolutions and amendments or interpretations or clarifications issued by the Securities & Commodities authority and any other official authorities later till date, covering all activities and dealings. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

1. Shareholder Communication Statement
2. Code of Ethic and Conduct
3. Share Dealing Policy
4. Whistle Blowing Policy
5. Corporate Social & Environmental Responsibility
6. Dividends Policy

The full manual is posted on the company's intranet and is available for all employees to refer to at any point of time.

2. Board members trades in Air Arabia shares:

The Board of Directors of Air Arabia and senior management are well briefed, informed and aware of the importance of the rules and procedures that govern the dealings of board members and senior managers of the company who, by virtue of their responsibilities, possess information that is not yet available to the public. In order to raise the level of transparency and disclosure and to allow equal opportunity to all shareholders when dealings in the company's shares, equal even to insiders from within the company, the company issued a statement internally which is included within the corporate governance manual, which sets the conditions and restrictions of insider trading, and the importance to disclose any inside trading in this report.

The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company.

In 2013, the board members did not personally trade in Air Arabia shares.

3. Board of Directors:

a. Composition of the board:

Air Arabia board of directors consists of 7 board members. Nomination for the membership of Air Arabia's board was opened on the 22nd of January 2011 for 30 days as per the governing rules and regulations. It was announced in different local newspapers (English and Arabic) in addition to the websites of Air Arabia and DFM. Lists of candidates and their curriculum vitae were published for the legal period of time required prior to the AGM. The AGM convened on the 21st of March 2011, a secret cumulative voting was supervised by the representative of the Securities Authority, independent auditor, vote collector and the corporate secretary. The board of directors was elected for a period of three years and composes of:

1.	Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
2.	Adel Abdullah Ali	Executive member
3.	Dr. Ghanem Mohammed Al Hajri	Independent member
4.	Taryam Mattar Taryam	Independent member
5.	Abdulwahab Mohammed Al Romi	Independent member
6.	Aref Naqvi	Non-Executive member
7.	Sheikh Mohammed Bin Abdullah Al Thani	Independent member

Summary biographies of the members:

1. **Sheikh Abdullah Bin Mohammad Al Thani- Air Arabia Chairman since 2003**

His Excellency Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in UAE. He served as member of the Executive Council of Sharjah and as Chairman of Sharjah Civil Aviation Department. He has a well-known track record in contributions towards developing air transport sector in UAE, as well as significant contributions and support to Economic & Tourism development in Sharjah.

2. **Adel Abdullah Ali (Chief Executive Officer & Air Arabia Board Member since 2003)**

Mr. Adel Ali received award for the best CEO of low-cost carrier in the world for the years 2007, 2008, 2009, 2010 & 2011 in recognition of his efforts in founding the first low-cost carrier in the Middle East and North Africa. He is also selected as the best business man for the year 2011.
Ali has more than 28 years in aviation world & strategic planning, His deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003.

Before Air Arabia, Mr. Ali served in various aviation positions; he served as vice president of the commercial & customer services in Gulf Air where he played a key role in restructuring the company. He also served for more than 20 years in different management positions with British Airways last of which was General Manager of the Middle east and Africa.

3. **Dr. Ghanem Al Hajiri (Air Arabia Board Member since 2003 & former Chairman of Sharjah Airport Authority)**

Dr. Ghanem Al Hajiri last served as the Chairman of Sharjah International Airport; Dr. Al Hajiri assumed various posts in the aviation sector locally and internationally. He served as Director General of Sharjah International Airport for over 15 years and he also serves as Secretary General of the Gulf Airports Services Association & Arabs Airports Council.
Besides that Dr. Ghanem Al Hajiri is a board member of the Airports Council International (ACI) since 1991 & served in numerous management positions there till he was elected as deputy chairman, before assuming the position of

Airports Council International Chairman. Dr. Ghanem is one of the first UAE Nationals holding a PhD in Air Transport; he was awarded the degree in United Kingdom. He also has a master's degree in Airport Planning, and a bachelor's degree in management.

4. Taryam Matar Taryam (Air Arabia Board Member since 2003)

Mr. Taryam has a long & wide experience in the private business sector; he has served for over 15 years in the region's leading telecommunications company (Etisalat) in numerous Management positions, concluding it in the post of Director General of the telecommunications sector.
He then served for over 10 years as Director General of Sharjah Airport International Free zone, during which the Free Zone witnessed phenomenal growth and expansion. Mr. Taryam holds a bachelor's degree in Business Administration.

5. Abdulwahab Mohammed Al Roomi (Air Arabia Board Member since 2003)

Engineer Abdulwahab Mohammed Al Roomi assumed different managerial positions with the finest oil companies in UAE. H.E. then moved to serve for several years as Director of Sharjah Civil Aviation, before taking over as Director General of Sharjah Civil Aviation. Engineer Abdulwahab holds a degree in Chemical and Petroleum Engineering from Al Ain University.
H.E. is a member of Air Arabia since inception in 2003.

6. Arif Naqvi (Air Arabia Board Member since 2007, Founder and Chief Executive Officer of Abraaj Capital

Mr. Arif Naqvi is the founder and Vice Chairman & Chief Executive Officer of Abraaj Capital one of the Leading institutions in private equity management in Middle East, North Africa and South Asia, beside that he is a board member in many companies and social institutions.
Mr. Naqvi has been selected as one of the "50 most influential in Private Equity" in the world
He has been honored with the highest and most prestigious Medal by the President of the Islamic Republic of Pakistan in 2006. Mr. Naqvi holds a Bachelor's Degree in Economic Planning.

7. Sheikh Mohammed Bin Abdullah Al Thani- Air Arabia Board Member since March 2011, Chairman – Sharjah Statistics Center.

H.E. Sheikh Mohammed Al Thani is one of the young leaders in Sharjah, and a businessman, with positive footprints in many business fields especially travel and tourism. H.E. assumed the role Director of His Highness Sharjah Ruler's Office in the American University of Sharjah. Late 2011, he was appointed Director General of Sharjah Statistics Center.

Besides that, he also serves as Chairman of Gamma Aviation, AM Holding Company, Al Nawras Catering Company, Santos International Company, Ascent Advertising Company and Universal Tourism Company; he is also the deputy chairman Sharjah Golf & Shooting Club.

b. Membership in other Companies:

1. **Shk Abdullah Bin Mohammed Al Thani**: Besides chairing Air Arabia board of directors, H.E. is a board member of Al Buhairah Insurance Company.
2. **Arif Naqvi**: is a board member at Aramex PJSC.
3. **Taryam MAttar** is a board member of Mawashee

c. Board Remuneration:

1. In **2013** the AGM approved **AED 3.85 M** as remuneration for the year **2012**.

2. The board of directors recommended **AED 3.850/-** as remuneration for the year **2013**.

3. As per the Articles of Association of Air Arabia, board members do not receive “attendance allowance” or any other allowance for that matter. Only a lump sum is distributed after the approval of the AGM.

b. Board meetings and attendees:

A table detailing the dates and attendees of the board meetings is attached, under appendix 1.

c. Boards Duties & Responsibilities:

Referring to the duties and responsibilities of the board of directors, the Board oversees the company strategically, reviews the strategies and implementation with the executive management, while the Executive management is authorized to run the day to day activities of the company, and report to the board the expansion plans, challenges and future objectives.

d. Transactions with related parties:

No material transactions with related parties, other than those disclosed in the audited financial statements.

e. Senior Staff Pay details:

Group CEO: AED3.6M per year which includes accommodation and transportation.
Senior Management team: which is formed of 9 members, and their total remuneration is AED 8.875M which includes, Salaries, 2012 Bonus, Allowances, and children's education.

In 2013, the board approved 2 weeks basic pay bonus for the year 2013.

4.External Accounts Auditor:

KPMG (the external auditor in 2013):

KPMG was appointed as external auditors in 2013 for a Total remuneration of AED 455,000/- and they were not appointed for any other services.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operate in 155 countries and have more than 155,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG in the UAE is a member firm of KPMG International. It was established in 1973 and now consists of about 750 staff members, including 30 partners. In addition to providing audit and accounting services, the nature of work performed by the UAE offices of KPMG includes Internal Audit, Accounting Advisory, Tax, IT Advisory, Executive Search & Selection, Corporate Finance, Transaction Services, Business Performance Services, Business Performance Outsourcing and Forensic Services. The KPMG member firm in UAE and Oman, are part of the KPMG Lower Gulf cluster.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

On its 14/2/2013 meeting, the Board had recommended to appoint KPMG as independent auditors and had recommended total fees of AED 455,000/-. The Annual General Meeting is yet to approve the same.

Deloitte was not requested for furthermore services. On the other hand PKF is assisting as an independent authority to assess goodwill and intangible assets.

5.Audit Committee:

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Sheikh Mohammad Al Thani	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Taryam Matar Taryam	Member

The committee submits its reports and recommendations to the Board of Directors.

The general duties of the committee are as follows:

a) Adopt a policy for appointing and contracting with the external auditor;
b) Reviewing and auditing the financial statements.
c) Articulate the control and audit measures.
d) Articulate fiscal and audit policies.
e) Issue general audit reports
f) Follow whistle blowing policies.
g) Consider assignments from the board of directors.

The corporate governance manual dictates the detailed duties and responsibilities of the committee.

b. **Table with meeting dates and attendees**:

Furthermore, appendix 2 contains the committees meetings and attendance in 2012.

6. Nominations and Remuneration committee:

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Dr. Ghanem Mohammed Al Hajri	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Arif Naqvi	Member

The committee report to the board of directors it views and recommendations, and is responsible for the following tasks:

A) Ensure that independent directors continue to be independent for the duration of their terms of office.

B) Review and approve salaries and bonuses, allowances and salary policies and review these policies annually in view of market and economic conditions.

C) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.

D) To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.

E) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.
The committee shall ensure that the rewards and benefits granted to the executive management of the company's senior directors are reasonable and are directly proportional to the company's performance.

F) Organizing, implementing and following up the procedures for board nominations and elections, in accordance with the laws, and regulations.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance in 2011.

7. The internal control system

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations. This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system.

The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia has set up an “Internal Control Department” which is headed by Mr. Mohammed Al Basha, who is a chartered accountant and a certified internal auditor, with over 25 years of experience in the field of internal and external audit.

Mr. Al Basha joined Air Arabia at the start of 2013, carrying lengthy and valuable experience having served at international financial institutions.

Objectives of Internal Control department:

The overall Objective of the Internal Audit is to evaluate and improve the effectiveness of control, governance process and risk management within AIR ARABIA.

Internal Audit assists all members of the Management of the Company and the Board of Directors in the effective execution of their responsibilities. To this end, the department provides independent examinations, consultancy, investigations, evaluations, recommendations and comments on areas and activities reviewed. Furthermore it works in partnership with management and adds value to the organization through advices, guidance and recommendations. The scope of activity extends to group / associate companies also.

Key Accountabilities:

Develop company-wide audit programs to assure protection of corporate assets and be responsible for ensuring the integrity of information; compliances with company policies, procedures and regulations; evaluation of organizational performance; optimization of opportunity / risk; best utilization of resources and formulation of internal control system.

Major duties include:

1. Develop and maintain Company-wide audit policies and practices.
2. Develop Company-wide internal audit plans and programs and Participate in and monitor execution of internal audits programs / assignments.
3. Ensure consistent application of corporate financial and accounting policies and practices.
4. Reviewing the reliability and integrity of the financial, operating and other management information systems and means used to identify measure, classify and report such information.
5. Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets.
6. Appraising the economy and efficiency with which company's resources are employed and identifying opportunities for improving operating performance.
7. Observe and review the proceedings/functions of various committees as required by Audit Committee so as to express an independent view.
8. Co-ordinate with External/statutory auditors.
9. Review and approve all significant changes in financial and accounting systems, practices and procedures to ensure that internal control.
10. Carry out investigations and audits as suggested by the Senior Management or by the CEO / Board of Directors, in order to determine the facts and causes of suspected irregularities.
11. Ensure that improvement to existing policies, practices and procedures are developed in order to improve the controls and to safeguard the assets of company.

12. Report to the Board, about the adequacy and effectiveness of the company's system of internal administrative, accounting and financial controls and the quality of operating performance when compared with established standards.

13. Follow-up the status of audit reports and recommendations and submit follow-up Report to the Board and the Audit Committee.

14. Design and schedule the Department's annual audit plans and implement them after Board approval.

15. Make presentation on audit activities and studies on company and subsidiary organizations as required by Audit Committee, Board of Directors / Management.

16. Prepare the Department's annual plans and capital and operating budgets and, once approved, control expenditure and staffing against these plans and budgets.

17. Exercise effective management of the Department's staff in terms of selecting, training, motivating, evaluating and disciplining in appropriate liaison with HR function.

18. To ensure that the resources of the departments are effectively utilized.

19. Fully responsible for co-source / outsource of audit assignments.

8. Details of violations committed

None.

9. Air Arabia's commitment and contribution towards the society and environment:

Air Arabia places the community very high on its priority and importance list. The company strongly believes that working with the surrounding community and paying back to it, is one of the most important pillars it relies on towards its success.

From this standpoint, the company established the "Charity Cloud" initiative, which considers such community investments, and this project has produced to date fully equipped medical clinic in Sudan, two schools in Sri Lanka, a school in Nepal, a school in India, a medical clinic in Yemen, vaccination campaign for children in Sudan, a campaign in Yemen for the treatment of children with weak hearts, and another campaign in Sri Lanka for the treatment of blind children.

On the other hand, Air Arabia participates continuously and effectively in the community by sponsoring activities and local events such as festivals, programs, and others.

Finally, as an effort towards contributing to and preserving the environment, Air Arabia adopts a policy of adding only brand new aircraft to the fleet to avoid unwanted emissions and reduce it to the minimum.
The company also follows a policy of minimizing printed paper and heavily depend on recycled in order to preserve forests.

10.General Information:

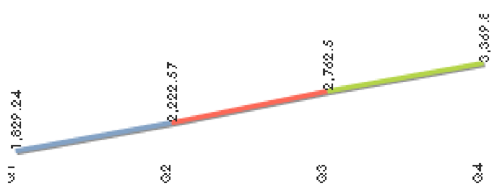
a) Air Arabia Share price details every month in 2013:

Lowest Price	Highest Price	Last closing price	Month
0.835	0.910	0.870	Jan 2013 يناير
0.872	0.945	0.881	Feb 2013 فبراير
0.775	0.932	0.720	Mar 2013 مارس
0.751	1.01	0.760	Apr 2013 ابريل
0.950	1.15	0.971	May 2013 مايو
1.06	1.19	1.16	Jun 2013 يونيو
1.07	1.39	1.09	Jul 2013 يوليو
1.21	1.47	1.40	Aug 2013 أغسطس
1.15	1.39	1.38	Sep 2013 سبتمبر
1.35	1.52	1.36	Oct 2013 أكتوبر
1.34	1.5	1.46	Nov 2013 نوفمبر

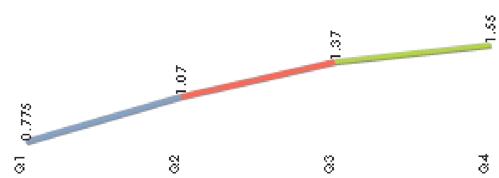
b) Air Arabia Share price performance vs. market and sector:

Air Arabia Share movement VS Index:

Air Arabia Share Movement

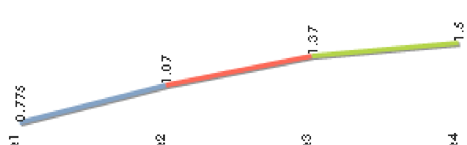


General Index Movement

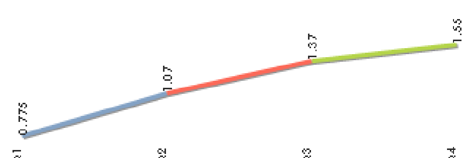


Air Arabia Share movement VS sector:

Air Arabia Share Movement



Sector Movement



c) Air Arabia Ownership breakdown as of end 2013:

الجنسية	التصنيف	الملكية
Arab	Banks	0.24%
GCC	Banks	0.18%
Others	Banks	0.15%
UAE	Banks	1.83%
Arab	Corporates	0.14%
GCC	Corporates	19.63%
Others	Corporates	3.42%
UAE	Corporates	42.81%
الإمارات	Governments	0.66%
Arab	Individuals	3.77%
GCC	Individuals	2.61%
Others	Individuals	1.80%
UAE	Individuals	21.70%
Others	Sole proprietorship	0.00%
UAE	Sole proprietorship	0.66%

- Source: DFM

d) Air Arabia shareholders owning 5% of above:

Shareholder	Ownership Percentage
Sharjah Asset Management	17.4%
Al Maha Holding Company	9.21%
IGCF SPV 4 Limited	6.43%

e) Major events in 2012:

1. **Arab Aviation & Media Summit:** Conceptualized and launched by Air Arabia in 2011, the summit is emerged as a flagship event in the Middle East aviation and tourism industry. Aimed at providing a platform for insightful discussions on the current trends and challenges faced by the aviation sector.

The year 2013 has witnessed the 3rd edition, which was took place in June in Salala, Oman; the summit again puts the spotlight on travel and tourism in the wider Arab region through discussions and debates by industry thought leaders and regulators. It was attended by over 200 participants comprising industry participants, academia and pan-Arab media and a white-paper summarizing the discussions and recommendations is distributed to various regulatory bodies in the region.

2. **7 New Aircraft**: 7 new aircraft joined Air Arabia fleet in 2013
3. **Engineering Accomplishment**:
    - One of our engines, CFM manufactured, achieved over 1,000,000 hours of flying.
    - Our engineering team achieved upgrading the entire fleet with Sharklet technology.
    - Got it approved and implemented the electronic pilots bag.
    - Approved T3CAS moder technology to avoid air collision.
    - Renovated the Line Maintenance facility.

4. **Information Technology Accomplishment**: Air Arabia IT departments and IT systems have been ISO certified, being the second Airline in the region to achieve this recognition (ISO 20000).
5. **XBRL Financial Filing**: Air Arabia was one of the first companies in UAE that complied with and successfully filed the full year audited statements through XBRL system.
6. **IOSA**: Air Arabia successfully passed IOSA (IATA Operations Safety Audit).

Sheikh Mohammed Al Thani
Chairman of the Board

- **Appendix 1**

Meetings Dates & Attendees of Air Arabia Board Of Directors in 2013:
"Y", "N"

Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Abdulwahab AlRoomi	Taryam Mattar	Arif Naqvi
1	14.2.2013	Y	Y	Y	Y	Y	N	Y
2	1.4.2013	Y	Y	Y	Y	Y	Y	Y
3	13.5.2013	Y	Y	Y	Y	Y	Y	Y
4	31.7.2013	Y	Y	Y	Y	Y	Y	Y
5	5.8.2013	Y	Y	Y	Y	Y	Y	Y
6	11.11.2013	Y	Y	Y	Y	Y	Y	Y
7	14.2.2013	Y	Y	Y	Y	Y	N	Y

- **Appendix 2**

Meetings Dates & Attendees of the Audit Committee and attendance:
"Y", "N"

Audit Committee Meeting	Date	Shk. Mohammed	Abdulwahab	Taryam
1	14.2.2013	Y	Y	N
2	13.5.2013	Y	Y	Y
3	29.7.2013	Y	Y	Y
4	5.8.2013	Y	Y	Y
5	11.11.2013	Y	Y	Y

- **Appendix3**

Meetings Dates & Attendees of the Committee on Nominations and Remuneration:
"Y", "N"

Remuneration Committee Meeting	Date	Dr. Ghanem	Abdulwahab	Arif
1	11.11.2013	Y	Y	N

Air Arabia PJSC and its subsidiaries

Consolidated financial statements
31 December 2013

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Air Arabia PJSC and its subsidiaries

Consolidated financial statements
for the year ended 31 December 2013

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Independent auditors' reports

The Shareholders
Air Arabia PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Air Arabia PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The Group's consolidated financial statements as at 31 December 2012 were audited by another auditor whose report dated 14 February 2013 expressed an unqualified opinion.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the consolidated financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company; a physical count of inventories was carried out by the management in accordance with established principles; and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2013, which may have had a material adverse effect on the business of the Company or its consolidated financial position.

Air Arabia PJSC and its subsidiaries

Consolidated statement of financial position

as at 31 December 2013

	Note	**2013 AED'000**	2012 AED'000 (restated)
Assets			
Non-current assets			
Property and equipment	*5*	**4,332,127**	3,263,363
Advance for new aircraft	*6*	**707,987**	649,800
Investment properties	*7*	**162,897**	163,647
Intangible assets	*8*	**1,092,347**	1,092,347
Goodwill	*9*	**189,474**	189,474
Deferred charges	*10*	**8,740**	4,392
Aircraft lease deposits	*11*	**11,775**	15,809
Available-for-sale investments	*12*	**771,029**	738,779
Trade and other receivables	*13*	**32,579**	16,292
Investment in joint ventures	*14*	**55,667**	64,756
Long term investment	*16*	**50,000**	-
Total non-current assets		**7,414,622**	6,198,659
Current assets			
Inventories		**11,730**	9,267
Due from related parties	*15*	**79,114**	69,396
Trade and other receivables	*13*	**498,169**	458,503
Cash at bank and in hand	*16*	**1,391,066**	1,306,776
Total current assets		**1,980,079**	1,843,942
Total assets		**9,394,701**	8,042,601
Non-current liabilities			
Provision for employees' end of service indemnity	*20*	**48,011**	38,467
Trade and other payables	*21*	**109,835**	42,972
Finance lease liabilities	*22*	**1,951,054**	1,259,443
Total non-current liabilities		**2,108,900**	1,340,882
Current liabilities			
Due to related parties	*15*	**15,543**	29,137
Deferred income		**206,520**	188,560
Short term borrowings	*16.1*	**291,946**	-
Trade and other payables	*21*	**1,019,591**	933,082
Finance lease liabilities	*22*	**176,018**	110,297
Total current liabilities		**1,709,618**	1,261,076
Total liabilities		**3,818,518**	2,601,958
Capital and reserves			
Share capital	*17*	**4,666,700**	4,666,700
Statutory reserve	*18*	**264,411**	222,337
General reserve	*19*	**207,634**	165,560
Fair value reserve		**70,922**	38,672
Retained earnings		**345,591**	335,669
Equity attributable to owners of the Company		**5,555,258**	5,428,938
Non-controlling interests		**20,925**	11,705
Total equity		**5,576,183**	5,440,643
Total liabilities and equity		**9,394,701**	8,042,601

The accompanying notes on pages 7 to 51 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 17 February 2014.

____________________ Chairman

____________________ Chief Executive Officer

____________________ Director of Finance

The independent auditors' report on the consolidated financial statements is set out on pages 1.

Air Arabia PJSC and its subsidiaries

Consolidated income statement
for the year ended 31 December 2013

	Note	**2013 AED'000**	2012 AED'000 (restated)
Revenue	*23*	**3,183,823**	2,832,483
Direct costs	*24*	**(2,681,269)**	(2,359,770)
Gross profit		**502,554**	472,713
Selling and marketing expenses	*25*	**(54,361)**	(45,413)
General and administrative expenses	*26*	**(104,604)**	(100,155)
Interest income from bank deposits		**49,806**	57,263
Finance costs		**(43,183)**	(34,718)
Share of profit from joint ventures		**19,437**	27,455
Share of loss from associate		**-**	(26,684)
Other income	*27*	**65,552**	74,349
Profit for the year		**435,201**	424,810
Attributable to:			
Owners of the Company		**420,739**	419,549
Non-controlling interests		**14,462**	5,261
		435,201	424,810
Basic earnings per share (AED)	*29*	**0.09**	0.09

The accompanying notes on pages 7 to 51 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on page 1.

Air Arabia PJSC and its subsidiaries

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	Note	**2013 AED '000**	2012 AED '000 (restated)
Profit for the year		**435,201**	424,810
		----------	----------
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Gain on revaluation of available-for-sale investments	*12*	**32,250**	49,407
Reclassification adjustment relating to available-for-sale investments impaired included in profit and loss		**-**	4,800
Transfer to consolidated income statement on sale of available-for-sale investments		**-**	(5,701)
		--------	--------
Total other comprehensive income		**32,250**	48,506
		--------	---------
Total comprehensive income for the year		**467,451**	473,316
		======	======
Attributable to:			
Owners of the Company		**452,989**	468,055
Non-controlling interests		**14,462**	5,261
		---------	---------
		467,451	473,316
		======	======

The accompanying notes on pages 7 to 51 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on page 1.

Air Arabia PJSC and its subsidiaries

Consolidated statement of changes in equity

for the ended 31 December 2013

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Retained Earnings AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2012	4,666,700	180,382	180,382	(9,834)	223,255	5,240,885	8,552	5,249,437
Profit for the year	-	-	-	-	419,549	419,549	5,261	424,810
Other comprehensive income	-	-	-	48,506	-	48,506	-	48,506
Total comprehensive income for the year	-	-	-	48,506	419,549	468,055	5,261	473,316
Transfer to retained earnings (refer note 18)	-	-	(56,777)	-	56,777	-	-	-
Transfer to reserves	-	41,955	41,955	-	(83,910)	-	-	-
Increase in non- controlling interest	-	-	-	-	-	-	342	342
Dividend paid	-	-	-	-	(280,002)	(280,002)	(2,450)	(282,452)
Balance at 31 December 2012	4,666,700	222,337	165,560	38,672	335,669	5,428,938	11,705	5,440,643
Balance at 1 January 2013	4,666,700	222,337	165,560	38,672	335,669	5,428,938	11,705	5,440,643
Profit for the year	-	-	-	-	420,739	420,739	14,462	435,201
Other comprehensive income	-	-	-	32,250	-	32,250	-	32,250
Total comprehensive income	-	-	-	32,250	420,739	452,989	14,462	467,451
Transfer to reserves		42,074	42,074	-	(84,148)	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	(342)	(342)
Dividend paid (refer note 33)	-	-	-	-	(326,669)	(326,669)	(4,900)	(331,569)
Balance at 31 December 2013	**4,666,700**	**264,411**	**207,634**	**70,922**	**345,591**	**5,555,258**	**20,925**	**5,576,183**

The accompanying notes on pages 7 to 51 are an integral part of these consolidated financial statements.

The independent auditors' report on the consolidated financial statements is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of cash flows

for the year ended 31 December 2013

	Note	**2013 AED ’000**	2012 AED ’000 (restated)
Operating activities			
Profit for the year		**435,201**	424,810
Adjustments for:			
Depreciation of property and equipment	*5*	**221,364**	160,927
Depreciation of investment property	*7*	**750**	750
Amortisation of deferred charges	*10*	**3,388**	5,786
Provision for employees’ end of service indemnity	*20*	**12,366**	9,550
Impairment loss on available for sale investments		**-**	4,800
Profit on sale of available for sale investments		**-**	(5,701)
Unrealised gain on derivative financial instruments	*27*	**(37,692)**	(13,785)
Share of profits from joint ventures	*14*	**(19,437)**	(27,455)
Share of loss from associate		**-**	26,684
Interest income from bank deposits		**(49,806)**	(57,263)
Dividend income		**(172)**	(34,894)
Finance costs		**43,183**	34,718
Rental income	*27*	**(4,222)**	(6,368)
		---------	---------
Operating cash flows before working capital changes		**604,923**	522,559
Changes in:			
- Trade and other receivables	*13*	**(18,606)**	(43,599)
- Inventories		**(2,463)**	(2,307)
- Due from related parties	*15*	**(9,718)**	30,044
- Trade and other payables	*21*	**153,372**	349,459
- Deferred income		**17,961**	31,260
- Due to related parties	*15*	**(13,594)**	(15,420)
- Employees’ end of service indemnity paid	*20*	**(2,822)**	(2,609)
		---------	---------
Net cash from operating activities		**729,053**	869,387
		======	=====
Investing activities			
Acquisition of property and equipment	*5*	**(91,068)**	(283,466)
Payments for advances for new aircraft	*6*	**(370,650)**	(295,664)
Payments for deferred charges		**(7,736)**	(125)
Proceeds from sale of available for sale investments	*12*	**-**	43,649
Dividend received from joint ventures	*14*	**28,526**	26,508
Dividend received		**172**	34,894
Payments for investment in associate		**-**	(26,684)
Payments for aircraft lease deposits		**4,034**	12,924
Change in fixed and margin deposits	*16*	**(45,821)**	(47,026)
Interest income from bank deposits		**49,806**	57,263
Rental income received	*27*	**4,222**	6,368
		-----------	-----------
Net cash used in investing activities		**(428,515)**	(471,359)
		-----------	-----------
Financing activities			
Dividend paid to non-controlling interests		**(4,900)**	(2,450)
Dividend paid to shareholders		**(326,669)**	(280,002)
Payments of finance lease obligations	*22*	**(129,263)**	(78,204)
Payment of murabaha payable		**-**	(64,570)
Receipt from supplier finance facility	*16.1*	**91,861**	-
Finance cost paid		**(43,183)**	(34,718)
		---------	----------
Net cash used in financing activities		**(412,154)**	(459,944)
		---------	----------
Net decrease in cash and cash equivalents		**(111,616)**	(61,916)
Cash and cash equivalents at the beginning of the year		**93,512**	155,428
		---------	---------
Cash and cash equivalents at the end of the year		**(18,104)**	93,512
		=====	=====
The details of cash and cash equivalents are as under:			
Cash at bank and in hand	16	**1,391,066**	1,306,776
Fixed deposits with maturity over 3 months		**(1,206,608)**	(1,210,834)
Margin deposits with maturity over 3 months		**(2,477)**	(2,430)
		---------	---------
		181,981	93,512
Bank overdraft		**(200,085)**	-
		---------	---------
		(18,104)	93,512

The accompanying notes on pages 7 to 51 are an integral part of these consolidated financial statements.

1 Reporting entity

Air Arabia PJSC (the "Company") was incorporated on 19 June, 2007 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates.

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The registered office address is P.O. Box 8, Sharjah, United Arab Emirates.

The consolidated financial statements as at 31 December 2013 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airline companies' representative office, passengers transport, cargo services, air cargo agents, documents transfer services, aviation training and aircraft repairs and maintenance.

The extent of the Group's ownership in its various subsidiaries, joint ventures and associates and their principal activities are as follows:

Name	Legal ownership interest		Country of incorporation	Principal Activities
	2013	2012		
Subsidiaries				
COZMO Travel LLC and its subsidiaries	**51%**	51%	United Arab Emirates	Travel and tours, tourism and cargo services.
Subsidiaries of COZMO Travel LLC:				
COZMO Travel WLL	**100%**	100%	Qatar	Travel and tours, tourism and cargo services.
COZMO Travel Limited Company	**100%**	100%	Kingdom of Saudi Arabia	Travel and tours, tourism and cargo services.
Jointly controlled entities				
Alpha Flight Services UAE (L.L.C.)	**50%**	50%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC.
Sharjah Aviation Services (L.L.C.)	**50%**	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport.
Information System Asscoiates (FZC), U.A.E	**51%**	51%	United Arab Emirates	IT services to aviation industry
Air Arabia – Egypt Company (S.A.E.)	**50%**	50%	Egypt	International commercial air transportation.
Associate				
Air Arabia Maroc, S.A.	**40%**	40%	Morocco	International commercial air transportation.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

2.2 Basis of measurement

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

- Derivative financial instruments are measured at fair value; and
- Available-for-sale investments which are measured at their fair values.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Group's functional currency.

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed by management 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.

In particular, 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 the consolidated financial statements are described in note 36.

2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Management have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Management regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2 Basis of preparation (continued)

2.5 Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about assumptions made in measuring fair values is included in notes 12 and 34.5.

2.6 Change in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 13: Fair Value Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 19 : Employee Benefits (2011)

The nature and effects of changes are explained below.

a) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of Other Comprehensive Income in its consolidated statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

2 Basis of preparation (continued)

2.6 Change in accounting policies (continued)

b) IFRS 13 Fair Value Measurement

In accordance with the transitional provision of IFRS 13, the Group has applied the new definition of fair value as set out in note 34.5, prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the consolidated financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

c) IFRS 10 Consolidated Financial Statements (2011)

As a result of IFRS 10 (2011) the Group has changed its accounting policies for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposures or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The Group re-assessed the control conclusion for its investees as at 1 January 2013. Based on management’s assessment, the control conclusion in respect of its investees remains the same. For the list of the Group’s subsidiaries refer to note 1.

d) IFRS 11: Joint Arrangements

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under IFRS 11, the Group assessed its interests in joint arrangements as either joint operations or joint ventures depending on the Group’s rights to the assets and obligations for the liabilities of the arrangements.

When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Based on this evaluation, the Group has concluded that its involvement in its joint arrangements is of the nature of a joint venture. Accordingly, the Group has changed its accounting for its interest in joint venture from proportionate consolidation to the equity accounting method.

The following table summarises the adjustments made to the Group’s consolidated statements of financial position at 1 January 2012 and 31 December 2012, and its consolidated income statement for the year ended 1 January 2012 and 31 December 2012 and its consolidated cash flows statement for the year ended 31 December 2012 as a result of the adoption of equity method.

2 Basis of preparation (continued)

2.6 Change in accounting policies (continued)

d) IFRS 11: Joint Arrangements (continued)

Consolidated statement of financial position

	At 1 January 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	2,423,132	(38,989)	2,384,143
Deferred charges	11,088	(1,035)	10,053
Investment in joint venture	-	63,809	63,809
Inventories	9,092	(2,130)	6,962
Due from related parties	102,329	(2,890)	99,439
Trade and other receivables	416,200	(1,729)	414,471
Bank balances and cash	1,344,900	(23,236)	1,321,664
Overall impact on total assets		**(6,200)**	
Provision for employees' end of service indemnity	36,987	(5,491)	31,496
Trade and other payables	649,284	(22,689)	626,595
Due to related parties	22,576	21,980	44,556
Overall impact on total liabilities		**(6,200)**	

	At 31 December 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	3,301,569	(38,206)	3,263,363
Deferred charges	5,116	(724)	4,392
Investment in joint venture	-	64,756	64,756
Inventories	11,571	(2,304)	9,267
Due from related parties	68,660	736	69,396
Trade and other receivables	478,423	(3,628)	474,795
Bank balances and cash	1,329,752	(22,976)	1,306,776
Overall impact on total assets		**(2,346)**	
Provision for employees' end of service indemnity	45,058	(6,591)	38,467
Trade and other payables	999,872	(23,818)	976,054
Due to related parties	1,074	28,063	29,137
Overall impact on total liabilities		**(2,346)**	

2 Basis of preparation (continued)

2.6 Change in accounting policies (continued)

d) IFRS 11: Joint Arrangements (continued)

Consolidated income statement

	Year ended 1 January 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Revenue	2,434,660	(123,378)	2,311,282
Direct costs	(2,112,004)	71,017	(2,040,987)
General and administrative expenses	(105,561)	26,716	(78,845)
Interest income from bank deposits	71,553	(167)	71,386
Other income (refer note (i) below)	39,035	25,812	64,847

	For the year ended 31 December 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Revenue	2,942,428	(109,945)	2,832,483
Direct costs	2,418,412	(58,642)	2,359,770
General and administrative expenses	125,261	(25,106)	100,155
Interest income from bank deposits	57,616	(353)	57,263
Other income (refer note (i) below)	48,570	26,550	75,120

(i) The adjustments in other income include the share in profit/(loss) of investment in joint ventures and associates.

Statement of cash flows

	For the Year ended 31 December 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Cash flows from:			
Operating activities	882,596	(13,209)	869,387
Investing activities	(512,790)	41,431	(471,359)
Financing activities	(425,683)	(34,261)	(459,944)
Effect on cash and cash equivalents		**(6,039)**	

The adoption of the new and amended standards and interpretations other than those explained above did not have an impact on the financial position of the Group during the year.

3 Significant accounting policies

Except for the changes explained in note 2.6, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

These consolidated financial statements comprise the consolidated statement of financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as “the Group”) on a line by line basis together with the Group’s share in the net assets of its equity accounted investees. The principal subsidiaries, associates and jointly controlled entities have been disclosed above in note 1.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquire; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred, other than those associated with the issue of debt or equity securities.

Non controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity, Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

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

3 Significant accounting policies (continued)

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Passenger revenue is recognised in the period in which the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in current liabilities as deferred income. It is released to the profit or loss when flown or time expired.

Sales of other services are recognised when the services are rendered.

Hotel revenue

Income from Hotel services rendered to guests and customers is recognised pro-rata over the periods of occupancy. Revenue from sale of goods, food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

3.3 Dividend income

Dividend from investments is recognised when the Group's right to receive payment has been established.

3.4 Finance income and finance costs

Finance income comprises interest income on fixed deposits and available-for-sale investments. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

Finance cost comprises interest expense on bank borrowings and finance lease obligations. All borrowing costs are recognised in profit or loss using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

3 Significant accounting policies (continued)

3.4 Finance income and finance costs (continued)

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

3.5 Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Significant accounting policies (continued)

3.7 Foreign currencies

Transactions denominated in foreign currencies are translated to AED at exchange rates at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into AED at the exchange rate when the fair value was determined. Realized and unrealized exchange gains and losses have been dealt with in the consolidated profit or loss.

3.8 Property and equipment

Land granted by the Government of Sharjah and acquired through the acquisition of Radisson Blu Hotel and Resort is not depreciated, as it is deemed to have an infinite life.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less impairment loss, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis so as to write off the cost of assets (other than freehold land and properties under construction) over their estimated useful lives, as follows:

	Years
Buildings and apartments	15 - 20
Aircraft	15
Aircraft engines	20
Aircraft rotables and equipment	3 - 10
Airport equipment and vehicles	3 - 15
Other property and equipment	3 - 7

The depreciation method, useful lives and residual values of assets are re-assessed at each reporting date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to profit or loss when incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Government grants

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

3 Significant accounting policies (continued)

3.10 Investment properties

Investment properties are accounted under the cost model of IAS 40. Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are stated at cost less accumulated depreciation and any identified impairment losses. Cost includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of investment properties.

Investment properties under development that are being constructed or developed for future use as investment properties are measured initially at cost including all direct costs attributable to the design and construction of the property. Upon completion of construction or development, such properties are transferred to investment properties. Depreciation of these assets, on the same basis as other investment properties, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of investment properties, other than land and investment properties under development, over the estimated useful lives of 20 years, using the straight line method.

Value of land granted by the Government of Sharjah on which investment property is constructed was valued by an external consultant.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the period of retirement or disposal.

3.11 Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group’s assets in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

3 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The useful lives of intangible assets have been estimated to be indefinite.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.12 Deferred charges

Deferred charges are amortised on the straight-line method over the estimated period of benefit.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises invoice price of materials. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.14 Employee benefits

Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period. Provisions for employees' end of service indemnity for the employees working with the entities domiciled in other countries are made in accordance with local laws and regulations applicable to each entity.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3 Significant accounting policies (continued)

3.15 Aircraft maintenance

For the aircraft under operating lease agreements, wherein the Group has an obligation to maintain the aircraft, accruals are made during the lease term for the obligation based on estimated future costs of major airframe and certain engine maintenance checks by making appropriate charges to the profit or loss calculated by reference to the number of hours or cycles operated and engineering estimates.

For the aircraft owned by the Group, maintenance accruals are made based on the technical evaluation.

3.16 Deferred income

Deferred income mainly represents unearned revenue from flight seats sold but not yet flown and will be released to profit or loss when passengers are flown or time expired.

3.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.18 Financial instruments

Non-derivative financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) investments and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3 Significant accounting policies (continued)

3.18 Financial instruments (continued)

Non-derivative financial instruments (continued)

Financial assets

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group has classified the following financial assets as 'loans and receivables': cash and cash equivalents, fixed deposits, trade and other receivables (excluding prepaid aircraft lease rentals and prepaid expenses), due from related parties and aircraft lease deposits.

Bank balances and cash

Bank balances and cash include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of more than three months.

Available-for-sale investments (AFS)

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has other investments that are not traded in an active market but are also classified as AFS and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

Dividend on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are measured at amortised costs 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.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3 Significant accounting policies (continued)

3.18 Financial instruments (continued)

Non-derivative financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit and loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3 Significant accounting policies (continued)

3.18 Financial instruments (continued)

Non-derivative financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities

The Group has classified the following financial liabilities as ‘other financial liabilities’: finance lease liabilities, trade and other payables, Murabaha payable and due to a related party and 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 payable when the recognition of interest would be immaterial.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired.

Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. All the derivatives financial instruments are carried at their fair values as financial assets where the fair values are positive and as financial liabilities where the fair values are negative. A derivative financial instrument is presented as non-current assets or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit and loss depends on the nature of hedge relationship.

3 Significant accounting policies (continued)

3.19 New standards and interpretations not yet adopted

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities.

4 Financial risk management and capital management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

4.1 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. The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, due from related parties, available for sale investments, cash at bank and fixed deposits.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The exposure to credit risk on trade receivables is monitored on an ongoing basis by the management and these are considered recoverable by the Group's management.

The Group's cash and cash equivalents are placed with banks of repute.

4 Financial risk management and capital management (continued)

4.2 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. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

4.3 Market risk

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

4.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to currency risk as all significant transactions of the Group are carried out in UAE Dirham ("AED") and US Dollar ("USD"), which is currently pegged to AED.

4.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk is subject to changes in EIBOR rates.

4.3.3 Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

4.3.4 Fuel price risk

The Group is exposed to fluctuations in the price of jet fuel. The Group closely monitors the actual cost of jet fuel against the forecasted cost. Significant changes in jet fuel and other product prices may have a substantial effect on the Group's results.

4.4 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2013.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with capital. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

5. Property and equipment

	Land AED '000	Buildings AED '000	Aircraft AED '000	Aircraft engines AED '000	Aircraft rotables and equipment AED '000	Airport equipments and vehicles AED '000	EDP equipment AED '000	Office equipment and furniture and fixtures AED '000	Capital work-in-progress AED '000	Total AED '000
Cost										
1 January 2012 (restated)	50,000	565,192	1,716,673	161,392	23,974	1,363	15,871	13,216	47,569	2,595,250
Additions during the year	-	2,568	975,185	39,530	2,552	309	1,414	1,738	16,787	1,040,083
Transfers	-	32,675	-	-	-	16,552	-	187	(49,414)	-
31 December 2012 (restated)	50,000	600,435	2,691,858	200,922	26,526	18,224	17,285	15,141	14,942	3,635,333
1 January 2013 (restated)	50,000	600,435	2,691,858	200,922	26,526	18,224	17,285	15,141	14,942	3,635,333
Additions during the year	-	1,114	1,222,198	43,743	2,664	695	1,807	1,911	15,996	1,290,128
31 December 2013	50,000	601,549	3,914,056	244,665	29,190	18,919	19,092	17,052	30,938	4,925,461
Depreciation										
1 January 2012 (restated)	-	19,028	144,129	22,451	7,327	776	9,928	7,404	-	211,043
Charge for the year	-	29,903	114,582	7,789	1,980	1,559	2,073	3,041	-	160,927
31 December 2012 (restated)	-	48,931	258,711	30,240	9,307	2,335	12,001	10,445	-	371,970
1 January 2013 (restated)	-	48,931	258,711	30,240	9,307	2,335	12,001	10,445	-	371,970
Charge for the year	-	30,379	174,270	9,292	2,214	1,053	1,721	2,435	-	221,364
31 December 2013	-	79,310	432,981	39,532	11,521	3,388	13,722	12,880	-	593,334
Net book value										
31 December 2013	**50,000**	**522,239**	**3,481,075**	**205,133**	**17,669**	**15,531**	**5,370**	**4,172**	**30,938**	**4,332,127**
31 December 2012(restated)	50,000	551,504	2,433,147	170,682	17,219	15,889	5,284	4,696	14,942	3,263,363

5. Property and equipment (continued)

Depreciation is allocated as follows:

	2013 AED'000	2012 AED'000 (restated)
Direct costs (refer note 24)	**214,234**	153,203
Administrative and general expenses (refer note 26)	**7,130**	7,724
	221,364	160,927

Buildings include hotel apartments, simulator and staff quarters. Simulator and staff quarters are constructed on leasehold land, leased from Sharjah Airport Authority.

At 31 December 2013 aircraft with carrying amount of AED 2.9 billion *(2012: AED 1.8 billion)* are held under finance lease (refer note 22).

Property and equipment includes one plot of land in Sharjah, granted by the Government of Sharjah recognised at nominal value of AED 1.

All of the Group's non-movable assets are located in the U.A.E., except for property and equipment with carrying amount of AED 2.1 million *(2012: AED 0.9 million)*, located outside U.A.E.

Capital work in progress represents advance payment made towards purchase of aircraft engines. Also refer note 6.

6. Advance for new aircrafts

Advance for new aircraft represents pre-delivery payments made to suppliers for an amount of USD 194 million (equivalent to AED 707 million) *(2012: USD 177.5 million (equivalent to AED 650 million))* made in respect of aircraft.

Movement in the advance for new aircraft were as follows:

	2013 AED'000	2012 AED'000
At 1 January	**649,800**	596,935
Advances paid during the year	**472,987**	398,911
Adjusted against aircraft purchase	**(312,463)**	(242,799)
Refund of advance paid	**(102,337)**	(103,247)
At 31 December	**707,987**	649,800

7. Investment properties

	Investment property AED '000	Investment property under construction AED '000	Total AED '000
Cost			
1 January and 31 December 2012	54,040	115,795	169,835
1 January and 31 December 2013	54,040	115,795	169,835
Depreciation			
1 January 2012	5,438	-	5,438
Charge for the year	750	-	750
31 December 2012	6,188	-	6,188
Charge for the year	750	-	750
31 December 2013	6,938	-	6,938
Net book value			
31 December 2013	**47,102**	**115,795**	**162,897**
31 December 2012	47,852	115,795	163,647

Investment property comprises a building constructed by the Group on a plot of land, adjacent to Sharjah International Airport, granted by the Government of Sharjah. The Group has accounted for this land at AED 39 million, based on independent valuers' report, engaged for the purpose of applying IFRS3 'Business Combination', at the time of acquisition of Air Arabia L.L.C. (Air Arabia) by the Group.

The property rental income earned by the Group during the year amounted to AED 1.1 million *(2012: AED 3.3 million)* and direct operating expenses arising on the investment property amounted to AED 0.75 million *(2012: AED 0.75 million).*

Management anticipates the fair value of investment properties as at 31 December 2013 to be AED 167.8 million *(2012: AED 167.8 million).*

Investment property under construction comprise of a building located in Dubai, U.A.E.

8. Intangible assets

Intangible assets arising out of acquisition of Air Arabia L.L.C. (Air Arabia) in 2007, determined by independent valuer were as follows:

	2013	2012
	AED'000	AED'000
Trade name	**395,410**	395,410
Landing rights	**468,273**	468,273
Price benefit from related parties	**180,281**	180,281
Handling licence - Sharjah Aviation Services	**48,383**	48,383
	1,092,347	1,092,347

During the year intangible assets were subject to impairment test similar to goodwill (refer note 9) and management has concluded that intangible assets are not impaired.

9. Goodwill

Goodwill arising out of acquisition of Air Arabia L.L.C. determined by an independent valuer is as follows:

	2013	2012
	AED'000	AED'000
Total fair value of Air Arabia Company L.L.C	**1,400,000**	1,400,000
Fair value of intangible assets (refer note 8)	**(1,092,347)**	(1,092,347)
Fair value of tangible assets (net)	**(118,179)**	(118,179)
	189,474	189,474

During the year, the Group has performed the impairment test on goodwill. The recoverable amount of cash-generating unit for impairment test has been determined using value in use calculation. For calculation purposes management prepared cash flow projections for 5 year period and applied a discount rate of between 10.98% to 11.1%.

Cash flow projections during the budget period are based on the expected gross margins. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Based on these calculations goodwill is not impaired.

10. Deferred charges

	Aircraft upgrade costs AED'000	Landing permission charges AED'000	Total AED'000
Cost			
1 January 2012 (restated)	22,028	51,745	73,773
Additions during the year	125	-	125
At 31 December 2012 (restated)	22,153	51,745	73,898
Additions during the year	7,736	-	7,736
31 December 2013	29,889	51,745	81,634
Amortisation			
1 January 2012 (restated)	18,452	45,268	63,720
Charge for the year	1,468	4,318	5,786
At 31 December 2012 (restated)	19,920	49,586	69,506
Charge for the year	1,229	2,159	3,388
31 December 2013	21,149	51,745	72,894
Net book value			
31 December 2013	**8,740**	**-**	**8,740**
31 December 2012 (restated)	2,233	2,159	4,392

11. Aircraft lease deposits

Aircraft lease deposits are placed with lessors for leasing aircraft.

12. Available-for-sale investments

	2013	2012
	AED ’000	AED ’000
Quoted	**16,358**	7,312
Unquoted	**754,671**	731,467
	771,029	738,779
In U.A.E.	**403,715**	371,464
In other G.C.C. countries	**367,314**	367,315
	771,029	738,779

	2013	2012
	AED ’000	AED ’000
Movement in fair value during the year were as follows:		
At 1 January	**738,779**	733,021
Disposed during the year	**-**	(43,649)
Change in fair value	**32,250**	49,407
At 31 December	**771,029**	738,779

The market rate as at 31 December 2013 is considered for the calculation of the fair value of the available-for-sale investments that are quoted in the stock exchange.

13. Trade and other receivables

	2013	2012
	AED ’000	AED ’000 (restated)
Current		
Trade receivables	**152,063**	144,504
Allowance for doubtful debts	**(333)**	(503)
	151,730	144,001
Prepaid aircraft lease rentals	**13,705**	17,991
Prepaid expenses – others	**7,844**	7,282
Advances and other receivables	**276,476**	262,544
Derivative financial instruments (refer note 28)	**48,414**	26,685
	498,169	458,503

13. Trade and other receivables (continued)

	2013 **AED '000**	2012 AED '000 (restated)
Non-current		
Derivatives financial instruments (refer note 28)	**32,579**	16,292
	=====	=====

13.1 Trade receivables

The average credit period ranges between 19-45 days *(2012: 29 – 45 days)*. Trade receivables more than 180 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience in addition to specific provision made on identified customers. No interest is charged on trade receivables.

Before accepting any new customer the Group assesses the potential customers' quality and defines credit limits by customer. There are 5 customers *(2012: 03 customers)* who represent more than 5% of the total balance of trade receivables.

Trade receivables include receivable from Sales Agents amounting to AED 140.01 million *(2012: AED 108.43 million)*, which is fully secured by bank guarantees.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Further, trade receivables from Sales Agents are secured by bank guarantees. Accordingly, the management believes that there is no further credit provision required in excess of the allowance for doubtful debts. Management has assessed the advances and other receivables for impairment and have concluded that they are fully recoverable in the normal course of business.

14. Investment in joint ventures

Movement is as under;

	2013 **AED '000**	2012 AED '000 (restated)
Balance as 1 January	**64,756**	63,809
Add: Share of profit for the year	**19,437**	27,455
Less: Dividend received	**(28,526)**	(26,508)
	---------	---------
Balance at 31 December	**55,667**	64,756
	====	=====

14. Investment in joint ventures

The following summarises the financial information of the material joint ventures and reconciles the summarized financial information to the carrying amount of the Group's interest in the joint ventures.

	Alpha Flight Services UAE (L.L.C.)		**Sharjah Aviation Services (L.L.C.)**		**Information System Asscoiates (FZC), U.A.E**		**Total**	
Percentage of interest	**50%**		**50%**		**51%**			
	2013 AED'000	2012 AED '000 (restated)	**2013 AED '000**	2012 AED '000 (restated)	**2013 AED '000**	2012 AED '000 (restated)	**2013 AED '000**	2012 AED '000 (restated)
Assets	**36,556**	36,078	**127,776**	141,794	**15,554**	11,732	**179,886**	189,604
Liabilities	**(18,421)**	(18,028)	**(48,158)**	(40,485)	**(2,240)**	(1,780)	**(68,819)**	(60,293)
Net assets	**18,135**	18,050	**79,618**	101,309	**13,314**	9,952	**111,067**	129,311
Group's share in net assets as presented in the consolidated statement of financial position	**9,068**	9,025	**39,809**	50,655	**6,790**	5,076	**55,667**	64,756
Profit for the year	**15,135**	14,882	**20,310**	34,753	**3,361**	5,173	**38,806**	54,808
Group's share of profit for the year	**7,568**	7,441	**10,155**	17,376	**1,714**	2,638	**19,437**	27,455
Cash dividends received by the Group	**(7,526)**	(6,508)	**(21,000)**	(20,000)	**-**	-	**(28,526)**	(26,508)

15. Related party transactions

The Group, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of related parties as contained in International Accounting Standard 24 "Related Party Disclosures". The management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates. The significant transactions entered into by the Group with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows

Transactions with related parties

During the year the Group entered into the following transactions with related parties:

	2013 **AED '000**	2012 AED '000 (restated)
Rental income from investment property (refer note 7)	**1,100**	3,300
Rental income from aircraft operating lease – associates *(Note 30.2)*	**77,436**	82,838
Expenses recharged by related parties	**30,574**	29,272
Revenue from related parties	**5,597**	13,628
Management fees from associate (refer note 27)	**7,981**	7,186
	====	====

Transactions with related parties were carried out at terms agreed by the management.

Compensation of key management personnel:

	2013 **AED '000**	2012 AED '000 (restated)
Short term benefits	**12,313**	9,337
Long term benefits	**2,250**	1,950
Board of Directors' remuneration	**3,850**	1,925
	====	====

	2013 **AED '000**	2012 AED '000 (restated)
Due from related parties:		
Receivable from associates and joint ventures	**77,485**	66,447
Others	**1,629**	2,949
	--------	--------
	79,114	69,396
	=====	=====

15. Related party transactions (continued)

	2013	2012
	AED ’000	AED ’000
		(restated)
Due from related parties:		
Receivable from associates and joint ventures	**77,485**	66,447
Others	**1,629**	2,949
	--------	--------
	79,114	69,396
	=====	=====

	2013	2012
	AED ’000	AED ’000
		(restated)
Due to related parties:		
Sharjah Aviation Services	**14,363**	27,188
Others	**1,180**	1,949
	--------	---------
	15,543	29,137
	=====	======

16. Cash and cash equivalents

	2013	2012
	AED ’000	AED ’000
		(restated)
Bank balances:		
Current accounts	**159,156**	88,896
Call deposits	**21,260**	3,156
Fixed deposits*	**1,256,608**	1,210,834
Margin deposits*	**2,477**	2,430
	------------	------------
Total bank balances	**1,439,501**	1,305,316
Cash in hand	**1,565**	1,460
	------------	-----------
Total bank balances and cash	**1,441,066**	1,306,776
Less: long term fixed deposit*	**(50,000)**	-
	------------	-----------
Total cash and cash equivalents	**1,391,066**	1,306,776
	=======	=======

* These deposits carry interest rates ranging from 3% - 4.5% per annum.

16.1. Short term borrowings

	2013	2012
	AED '000	AED '000
Bank overdraft (refer note (i) below)	**200,085**	-
Supplier finance facility (refer note (ii) below)	**91,861**	-
	---------	--------
	291,946	-
	======	=====

(i) During the current year the Group availed overdraft facility from a lending bank. This overdraft facility carry interest at six months LIBOR+1.6% per annum.

(ii) During the year, the Group entered into a factoring arrangement with the lending bank for the purpose of payments to a major fuel supplier. This factoring arrangement with the Group carry interest at one month EIBOR+2.25% per annum.

17. Share capital

	2013	2012
	AED '000	AED '000
Authorised, issued and fully paid up share capital (of 4,666,700 thousand shares of AED 1 each)	**4,666,700**	4,666,700
	=======	=======

18. Statutory reserve

In accordance with the Articles of Association of entities in the Group and Article 255 of UAE Federal Law No. 8 of 1984 (as amended), 10% of the net profit for the year of the individual entities to which the law is applicable, has been transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals 50% of the paid up share capital of these entities. This reserve is non-distributable except in certain circumstances as mentioned in the above Law. The consolidated statutory reserve reflects transfers made post acquisition for these subsidiary companies.

19. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. Transfers to this reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors.

At the Annual General Meeting held on 9 April 2012, the Shareholders approved a transfer of AED 56,777 thousand from general reserve to retained earnings.

20. Provision for employees end of service indemnity

	2013 AED ’000	2012 AED ’000 (restated)
At 1 January	**38,467**	31,526
Charge for the year	**12,366**	9,550
Payments made during the year	**(2,822)**	(2,609)
At 31 December	**48,011**	38,467

21. Trade and other payables

	2013 AED ’000	2012 AED ’000 (restated)
Trade payables	**124,458**	108,646
Maintenance liabilities	**420,071**	292,417
Accrued expenses	**230,061**	245,368
Lease deposit payables	**10,448**	22,533
Other payables	**344,388**	307,090
	1,129,426	976,054
Less: Amount due for settlement after 12 months (shown under non-current liabilities)	**(109,835)**	(42,972)
Amount due for settlement within 12 months	**1,019,591**	933,082

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe

22. Finance lease liabilities

The Group has entered into a leasing arrangement with a leasing company to finance the purchase of aircraft. The terms of the leases are 12 years and payments due under lease agreements are as follows:

	2013 AED ’000	2012 AED ’000
Not later than one year	**176,018**	110,297
Later than one year but not later than five year	**812,916**	467,701
Later than five years	**1,138,138**	791,742
	2,127,072	1,369,740

22. Finance lease liabilities (continued)

The finance charges are calculated based on average interest rate of 2.97% *(2012: 2.6%)*.

Disclosed in the consolidated financial statements as:

	2013 AED ’000	2012 AED ’000
Current portion of finance lease liabilities	**176,018**	110,297
Non-current portion of finance lease liabilities	**1,951,054**	1,259,443
	2,127,072	1,369,740

The finance lease liabilities are secured by the leased aircraft (refer note 5).

The lease agreements are subject to certain financial and operational covenants including compliance to various regulations, restrictions on subleasing, insurance coverage and maintenance of total debt to equity ratio.

23. Revenue

	2013 AED ’000	2012 AED ’000 (restated)
Passenger revenue	**2,766,776**	2,565,304
Baggage revenue	**43,167**	39,658
Cargo revenue	**79,581**	62,435
Service revenue	**54,089**	26,672
Revenue from hotel operations	**67,248**	57,371
Other airline related services	**214,803**	119,336
Sales commission and expenses	**(41,841)**	(38,293)
	3,183,823	2,832,483

24. Direct costs

	2013 AED ’000	2012 AED ’000 (restated)
Staff costs	**373,251**	315,859
Aircraft lease rentals (net)	**104,054**	99,713
Fuel	**1,338,136**	1,187,498
Aircraft maintenance expenses	**240,068**	235,028
Passenger, ground and technical handling charges	**175,915**	147,847
Landing and overflying charges	**179,978**	150,449
Insurance	**14,824**	21,100
Service costs	**3,348**	9,010
Depreciation of property and equipment (refer note 5)	**214,234**	153,203
Other operating costs	**37,461**	40,063
	2,681,269	2,359,770

25. Selling and marketing expenses

	2013 AED '000	2012 AED '000
Staff costs	**24,734**	22,189
Advertisement expenses	**25,767**	18,450
Reservation management expenses	**3,860**	4,774
	--------	--------
	54,361	45,413
	=====	=====

26. General and administrative expenses

	2013 AED '000	2012 AED '000 (restated)
Staff costs	**40,310**	41,098
Legal and professional fees	**4,056**	6,479
Travel and accommodation costs	**321**	4,085
Communication costs	**4,406**	3,616
Depreciation of property and equipment (refer note 5)	**7,130**	7,724
Rent	**2,961**	2,596
Bad debts written off	**4,220**	12,000
Other expenses	**41,200**	22,557
	----------	----------
	104,604	100,155
	======	======

27. Other income

	2013 AED '000	2012 AED '000 (restated)
Dividend income	**172**	34,894
Rental income	**4,222**	6,368
Exchange rate variance	**4,096**	35
Management fees from associate (refer note 15)	**7,981**	7,186
Unrealised gain on fuel derivatives (refer note 28)	**37,692**	13,785
Gain on disposal of available-for-sale investments	**-**	5,701
Impairment losses on available-for-sale investments	**-**	(4,800)
Other income	**11,389**	11,180
	--------	--------
	65,552	74,349
	=====	=====

28. Derivative financial instruments

The Group uses derivative financial instruments for risk management purpose. These derivatives are linked to the underlying commodity, they do not meet the criteria for hedge accounting as defined by IAS 39 "Financial instruments: Recognition and measurement" and thus do not qualify for hedge accounting.

At 31 December 2013, the change in fair value of these derivatives amounting to gain of AED 37.7 million *(2012: AED 13.8 million)* (refer note 27) has been taken to the consolidated profit or loss for the year ended 31 December 2013.

29. Basic earnings per share

	2013 AED	2012 AED (restated)
Profit attributable to the owners of the Company (in AED '000)	**420,739**	419,549
	======	======
Number of shares (in '000)	**4,666,700**	4,666,700
	=======	=======
Basic earnings per share (AED)	**0.09**	0.09
	===	====

Basic earnings per share have been calculated by dividing the profit attributable to the owners of the Company for the year by the number of shares outstanding as at the reporting date.

30. Operating lease arrangements

30.1 Where the Group is a lessee:

	2013 AED '000	2012 AED '000
Minimum lease payment under operating leases (excluding variable lease rental on the basis of flying hours) recognised in profit and loss for the year	**181,461**	182,551
	======	======

The lease commitments for aircraft were as follows:

	2013 AED '000	2012 AED '000
Within one year	**115,825**	179,022
In the second to fifth years inclusive	**59,241**	175,066
	---------	----------
	175,066	354,088
	======	======

30. Operating lease arrangements (continued)

30.1 Where the Group is a lessee (continued):

In addition to the above fixed lease commitments, there is a variable lease rental element depending on the flying hours of the leased aircraft.

The aircraft lease agreements are subject to various covenants including restriction to sell or convey substantially all of the Group's property and assets or merge or consolidate with or into any other corporation without the prior consent of the lessor and no security interest may be created by the Group on the leased aircraft.

30.2 Where the Group is a lessor:

The Group has leased out 5 *(2012: 7)* aircraft under non-cancellable operating lease agreements to related parties.

Minimum lease payments:

The leases have varying terms and renewal rights. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	2013 **AED '000**	2012 AED '000
Within one year	**43,819**	83,175
In the second to fifth years inclusive	**24,422**	58,290
	68,241	141,465

The lease income amounting to AED 77,436 thousand *(2012: AED 82,838 thousand)* has been setoff with lease expenses in the profit and loss (refer note 24).

The Group has leased out 3 aircraft *(2012: 4 aircraft)* owned by the Group under operating leases (where the Group is the lessor) and the details as at reporting date are as follows:

	2013 **AED '000**	2012 AED '000
Net book value	**374,731**	488,662
Accumulated depreciation	**99,382**	147,335
Depreciation charge for the year	**25,298**	36,112

31. Contingent liabilities

	2013	2012
	AED ’000	AED ’000
Letters of credit	**34,036**	70,984
Letters of guarantee	**25,453**	18,042
	=====	=====

Letters of credit mainly comprise letters of credit issued to lessors of aircraft in lieu of placing deposits against leased aircraft.

32. Capital commitments

	2013	2012
	AED ’000	AED ’000
Authorised and contracted:		
Aircraft fleet	**6,465,167**	7,162,794
Others	**-**	2,105
	-----------	------------
	6,465,167	7,164,899
	=======	=======
Authorised but not contracted:		
Aircraft fleet	**1,422,807**	1,422,807
	=======	=======

33. Dividend

During the year, dividend of AED 7 fils per share *(2012: AED 6 fils)* was paid to the Shareholders.

The Directors propose that a dividend of AED XX, AED XX fils per share *(2012: AED 326,669,000, AED 7 fils per share)* will be paid to the Shareholders in 2014. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

34. Financial instruments

Financial assets of the Group include available-for-sale investments, cash at bank, fixed deposits, trade and other receivables, aircraft lease deposits and amounts due from related parties. Financial liabilities of the Group include trade and other payables, short term borrowings, finance lease liabilities and amounts due to related parties. Accounting policies of financial assets and financial liabilities are disclosed under note 3. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current year and the comparative period:

34.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

31 December 2013

Assets	**Loans and Receivables AED '000**	**Financial assets Available-for-sale AED '000**	**Designated as FVTPL AED '000**	**Total AED '000**
Bank balances and cash	**1,391,066**	**-**	**-**	**1,391,066**
Long term investments	**50,000**	**-**	**-**	**50,000**
Trade and other receivables	**428,206**	**-**	**80,993**	**509,199**
Due from related parties	**79,114**	**-**	**-**	**79,114**
AFS	**-**	**771,029**	**-**	**771,029**
Aircraft lease deposits	**11,775**	**-**	**-**	**11,775**
Total assets	**1,960,161**	**771,029**	**80,993**	**2,812,183**

31 December 2012

Assets (restated)	Loans and Receivables AED '000	Financial assets Available-for-sale AED '000	Designated as FVTPL AED '000	Total AED '000
Bank balances and cash	1,306,776	-	-	1,306,776
Trade and other receivables	406,545	-	42,977	449,522
Due from related parties	69,396	-	-	69,396
AFS	-	738,779	-	738,779
Aircraft lease deposits	15,809	-	-	15,809
Total assets	1,798,526	738,779	42,977	2,580,282

34. Financial instruments (continued)

34.2 Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and including the impact of netting of agreements at the statement of financial position date:

	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
31 December 2013				
Non-derivative				
Financial liabilities				
Trade and other payables	**1,129,426**	**1,129,426**	**1,019,591**	**109,835**
Finance lease liabilities	**2,127,072**	**2,397,386**	**187,025**	**2,210,361**
Short term borrowings	**291,946**	**295,782**	**295,782**	**-**
Due to related parties	**15,543**	**15,543**	**15,543**	**-**
	3,563,987	**3,838,137**	**1,517,941**	**2,320,196**
31 December 2012 (restated)				
Non-derivative				
Financial liabilities				
Trade and other payables	976,054	976,054	933,082	42,972
Finance lease liabilities	1,369,740	1,503,588	113,163	1,390,425
Due to related parties	29,137	29,137	29,137	-
	2,374,931	2,508,779	1,075,382	1,433,397

34.3 Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 10 percent change in the price of its equity holdings, assuming all other variables remain constant.

	Effect on other comprehensive income AED'000	Effect on profit or loss AED'000
31 December 2013		
Effect of changes in AFS investments	**77,103**	**-**
31 December 2012		
Effect of changes in AFS investments	73,878	-

34. Financial instruments (continued)

34.4 *Interest rate risk*

The Group is mainly exposed to interest rate risk on fixed deposits, margin deposits, finance lease liabilities and short term borrowings. These are subject to normal commercial rates of interest determined by market conditions.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as under:

	2013	2012
	AED'000	AED'000 (restated)
Fixed rate instruments		
Financial assets		
Fixed deposits	**1,256,608**	1,210,834
Margin deposits	**2,477**	2,430
	=======	====

	2013	2012
	AED'000	AED'000
Variable rate instruments		
Financial liabilities		
Finance lease liabilities	**2,127,072**	1,369,739
Short term borrowings	**291,946**	-
	------------	-----------
	2,419,018	1,369,739
	=======	=======

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/decreased equity and income statement by the amounts shown below. The analysis below excludes interest capitalized and assumes that all other variables remain constant.

	Income statement	
	100 bp increase AED'000	**100 bp decrease AED'000**
31 December 2013		
Variable rate instruments	**24,190**	**(24,190)**
	=====	**=====**
31 December 2012 (restated)		
Variable rate instruments	13,697	(13,697)
	=====	=====

34. Financial instruments (continued)

34.5 Fair values hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

31 December 2013

	Level 1 AED '000	**Level 2 AED '000**	**Level 3 AED '000**	**Total AED '000**
Derivative financial Instruments	**-**	**80,993**	**-**	**80,993**
Available-for-sale Investments				
FVPTL - Quoted investments	**16,358**	**-**	**-**	**16,358**
FVPTL - Unquoted Investments	**-**	**754,671**	**-**	**754,671**
	16,358	**835,664**	**-**	**852,022**

31 December 2012

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Derivative financial Instruments	-	42,977	-	42,977
Available-for-sale Investments				
FVTPL - Quoted investments	7,312	-	-	7,312
FVPTL - Unquoted Investments	-	731,467	-	731,467
	7,312	774,444	-	781,756

35. Segment information

The Group has broadly one reportable segment "Airline" which is the Group's strategic business unit.

Information regarding the operations of a segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the result of a segment relative to other entities that operate within these industries.

Primary reporting format - business segments

31 December 2013	**Airline**	**Other segments**	**Eliminations**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Revenue				
External sales	**3,066,596**	**117,227**	**-**	**3,183,823**
Inter-segment sales	**814**	**4,353**	**(5,167)**	**-**
	3,067,410	**121,580**	**(5,167)**	**3,183,823**
Result				
Segment result	**348,308**	**55,764**	**(3,249)**	**400,823**
Share of profit from equity accounted investees				**19,437**
Finance costs				**(43,183)**
Interest income from bank deposits and other income				**58,124**
Profit for the year				**435,201**
Other information				
Additions to property and equipment and deferred charges	**1,295,264**	**2,600**	**-**	**1,297,864**
Depreciation and amortization	**223,553**	**1,949**	**-**	**225,502**
Assets				
Segment assets	**7,070,647**	**154,427**	**(45,872)**	**7,179,202**
Unallocated Group assets	-	-	-	**2,215,499**
Total assets				**9,394,701**
Liabilities				
Segment liabilities	**3,812,535**	**51,855**	**(45,872)**	**3,818,518**

35. Segment information (continued)

Primary reporting format – business segments (continued)

31 December 2012	Airline (restated) AED '000	Other segments (restated) AED '000	Eliminations (restated) AED '000	Total (restated) AED '000
Revenue				
External sales	2,748,440	84,043	-	2,832,483
Inter-segment sales	-	2,799	(2,799)	-
	2,748,440	86,842	(2,799)	2,832,483
Result				
Segment result	327,292	30,319	-	357,611
Share of profit from equity accounted investees				771
Finance costs				(34,718)
Interest income from bank deposits and other income				101,146
Profit for the year				424,810
Other information				
Additions to property and equipment and deferred charges	1,038,946	1,137	-	1,040,083
Depreciation and amortisation	165,074	2,389	-	167,463
Assets				
Segment assets	5,809,560	113,964	(18,994)	5,904,530
Unallocated Group assets				2,138,071
Total assets				8,042,601
Liabilities				
Segment liabilities	2,576,165	44,787	(18,994)	2,601,958

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment result represents the profit earned by each segment without considering share of profit from equity accounted entities, finance cost, interest income from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, investment properties, investment in joint ventures and associates and short term investment. Goodwill and intangible assets have been allocated to the Airline segment.

36. Significant accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the consolidated financial statements are as follows.

Classification of investments

Management decides on acquisition of a financial asset whether it should be classified as Fair value through profit or loss (FVTPL) - held for trading, held to maturity investments, loans and receivables or available for sale investments investments.

The Group has classified its investment as AFS investments as these investments are not falling under the category of FVTPL - held for trading, held to maturity investments or loans and receivables.

Fair value of derivative financial instruments

At the reporting date, the Group has outstanding commodity swap as disclosed in note 28 to these consolidated financial statements. The fair value has been determined as such in accordance with best market practice and using observable market data.

Valuation of unquoted investments

The Group carries out valuation of unquoted investments normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of AFS Investments

The Group determines whether AFS investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether an impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Management has considered an amount of AED Nil *(2012: AED 4.8 million)* as impairment loss on available for sale investments based on impairment test performed during the year.

Impairment of goodwill and intangible assets

Goodwill is tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates.

The intangible asset includes trade name, landing rights, price benefits from related parties and handling license – Sharjah Aviation Services.

Management has concluded that no impairment of goodwill and intangible assets is required based on independent valuer's report on impairment test performed as of 31 December 2013.

36. Significant accounting estimates and judgements (continued)

Classification of leases

The Group, as a lessor and lessee, has entered into lease arrangements for leasing of aircrafts.

In the process of determining whether these arrangements represent operating leases or finance leases, the Group's management has made various judgements. In making its judgements, the Group's management considered the terms and conditions of the lease agreements and the requirements of IAS 17 Leases, including the Basis for Conclusions on IAS 17 provided by the International Accounting Standards Board and related guidance, to determine whether significant risks and rewards associated with the asset in accordance with each lease term would have been transferred to the lessee at the end of the lease period. The Group evaluated the transfer of risks and rewards before and after entering into the lease arrangements and the management is satisfied that the lease arrangements accounted for in the consolidated financial statements are appropriately classified as finance lease and operating lease.

Leased aircraft maintenance costs

The Group incurs liabilities for maintenance costs in respect of its leased aircraft during the course of the lease term. These are a result of legal and constructive obligations in the lease contract in respect of the return conditions applied by lessors, which require aircraft airframes, engines, landing gear and auxiliary power units to reach at least a specified condition on their return at the end of the lease term. A charge is made in the profit or loss each month based on the number of flight hours or cycles used to build up an accrual to cover the cost of heavy-duty maintenance checks when they occur. Estimates involved in calculating the provision required include the expected date of the check, market conditions for heavy-duty maintenance checks pertaining at the expected date of check, the condition of asset at the time of the check, the likely utilisation of the asset in terms of either flying hours or cycles, and the regulations in relation to extensions to lives of life-limited parts, which form a significant proportion of the cost of heavy-duty maintenance costs of engines. Additional maintenance costs for aircraft engines are considered for accrual based on the estimates made by Engineering Department on the basis of operational requirements.

The Group is also required to pay maintenance reserves to lessors on a monthly basis, based on usage. These maintenance reserves are then returned to the Group on production of evidence that qualifying maintenance expenditure has been incurred. Maintenance reserves paid are deducted from the accruals made. In some instances, not all of the maintenance reserves paid can be recovered by the Group and therefore are retained by the lessor at the end of the lease term.

Assumptions made in respect of the basis of the accruals are reviewed for all aircraft once a year. In addition, when further information becomes available which could materially change an estimate made, such as a heavy-duty maintenance check taking place, utilisation assumptions changing, or return conditions being re-negotiated, then specific estimates are reviewed immediately, and the accrual is reset accordingly.

Accrual for aircraft flying costs

Management accrues for the landing, parking, ground handling, and other charges applicable for each airport in which the Group operates flights on a monthly basis. These estimates are based on the rate of charges applicable to each airport based on the agreements and recent invoices received for the services obtained. Similarly, accruals for overflying charges are estimated based on the agreement entered with each country. Actual charges may differ from the charges accrued and the differences are accounted for, on a prospective basis.

36. Significant accounting estimates and judgements (continued)

Estimated useful life and residual value of property, plant and equipment and investment properties

The cost of property and equipment and investment property is depreciated (except land) over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has considered residual values while computing the depreciation for aircraft, aircraft engines and aircraft rotables and equipment.

Deferred charges

The period of amortisation of the deferred charges is determined based on the pattern in which the future economic benefits are expected to be consumed by the Group.

Impairment losses on trade and related party receivables

An estimate of the collectible amount of trade and related party receivables is made when collection of the full amount is no longer probable. This determination of whether these trade and related party receivables are impaired, entails the Group evaluating, the credit and liquidity position of the customers, historical recovery rates and collateral requirements from certain customers in certain circumstances. The difference between the estimated collectible amount and the book amount is recognised as an expense in profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in profit or loss at the time of collection.

37. Post balance sheet event

Air Arabia PJSC became the designated carrier for Ras-al-Kaimah in February 2014 following the demise of Ras-al-Kaimah airways.

The agreement with the government of Ras-al-Kaimah is for a period of ten years, extendable thereafter.