

Gama Holdings FZC
Annual report and financial statements
for the year ended 31 December 2011

License number 02-04-06496

Gama Holdings FZC
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Gama Holdings FZC
 Directors' report
For the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011.

Principal activities, results and dividends

The principal activity of the Group during the year was that of air transport contractors, leasing and aircraft engineering.

The directors have observed that as a result of the current economic downturn, market values for second hand aircraft have fallen and the number of distress sales has lowered the resale value of small and medium sized business aircraft. As a result the Group undertook a detailed impairment review and determined that an impairment of \$351,000 should be recorded against the carrying value of the Group's aircraft fleet. This follows the impairment of \$9,300,000 in 2010.

Given the difficult and unpredictable trading conditions experienced during the year, the directors are satisfied with the results of the Group and the financial position at the year end. Both the aircraft management business and charter market remain challenging. The engineering business has grown significantly during the year, through both acquisition and continued improvement in the performance of the existing operations. The directors forecast the performance in 2012 to be similar to that in 2011.

The key financial performance indicators for the Group are as follows:

	2011 \$'000	2010 \$'000
Turnover	183,942	154,964
Gross margin (%)	8.3	10.4
Operating loss	(3,756)	(10,654)
Cash	6,404	4,511
Net assets	3,960	6,505

The operating loss includes an impairment charge of \$351,000 (2010 - \$9,300,000) on the Group's aircraft.

The management team regularly review a number of non-financial indicators to gather a more rounded view of the Group's performance. These include:

	2011	2010
Total hours flown	12,291	13,509
Total sectors flown	8,351	13,028
Aircraft owned and / or under management	62	65

The directors have not recommended a dividend (2010 – nil).

Principal risks and uncertainties

The directors consider the principal risks to the business are:

- * Poor operational performance damaging the Group's reputation
- * Changes in economic climate that make private air transport less attractive
- * Increasing regulatory burden and costs of compliance

Gama Holdings FZC
Directors' report (continued)
For the year ended 31 December 2011

Principal risks and uncertainties (continued)

Damage to the Group's reputation

The Group's reputation for safety, reliability and high service standards is essential for maintaining customer loyalty and ensuring premium pricing levels. The Group has systems and monitoring processes in place to ensure that high standards are maintained across all aspects of the Group, including customer-facing crew as well as back-office operational staff. The Group carefully reviews any deviations from these standards and implements changes to prevent recurrence.

Changes in economic climate

The Group offers air transportation services that provide far greater flexibility, discretion and levels of service than is possible with general aviation services. The directors recognise that in a recessionary economic climate there may be pressure on customers to reduce their use of private aviation services. The directors mitigate this risk by regularly reviewing current and anticipated activity levels and reducing the Group's cost base accordingly.

Regulatory burden and costs of compliance

To ensure very high levels of safety, the aviation industry has significant and complex regulation to cover training, engineering, safety and operations. Breaches of regulations are likely to lead to sanctions such as suspension of operations or other restrictions. The directors believe that the regulatory burden is likely to increase over time and have members of staff dedicated to liaising with the various regulatory bodies. In addition, staff are regularly trained and appraised to ensure their understanding and compliance.

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise:

- * Bank balances;
- * Trade creditors;
- * Trade debtors; and
- * Finance lease agreements.

The main purpose of these instruments is to raise and maintain sufficient funds to finance the Group's operations.

Due to the nature of the financial instruments used by the Group there is no exposure to price risk. The Group's activities expose it to the financial risks of changes in foreign currency (primarily sterling and euro) and interest rate changes. The Group does not use derivative financial instruments to hedge these risks. The Group's approach to managing other risks applicable to the financial instruments concerned is shown below.

Bank balances

The Group has no formal overdraft facility as the forecasts regularly reviewed by directors do not anticipate short-term funding requirements. General liquidity risk is managed by maintaining weekly cash forecasts to ensure positive cash balances.

Trade creditors

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Gama Holdings FZC
Directors' report (continued)
For the year ended 31 December 2011

Financial instruments (continued)

Financial risk management objectives and policies (continued)

Trade debtors

Trade debtors are managed in respect of credit and cash flow by regular review of aged debtors and our customers' credit rating. Cash flow risk is mitigated by requiring up-front payment for much of the Group's work and short credit terms for all other customers. Provisions are made against any amount for which the recoverability is uncertain.

Finance lease

The Group is a lessee in respect of a number of finance leased assets, mainly aircraft. The company manages the liquidity risk by ensuring there are sufficient funds to meet payments.

Post balance sheet events

These are detailed in note 35 of the financial statements.

Charitable and political contributions

During the year the Group made charitable donations of \$33,610 (2010: \$20,000).

During the year the Group made no political donations (2010: \$nil).

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the requirements of the jobs can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Policy and practice on the payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 December 2011 were equivalent to 49 days' (2010: 46 days') purchases.

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were in place during the year and to the date of this report.

Going concern

The directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ended 2017 and concluded that the Group has sufficient assets, particularly third party receivables, to meet financing obligations as they fall due. The Group has benefited from the impact of new contracts which commenced post year end and has modelled the positive impact of mitigating factors should trading conditions worsen dramatically. The directors have also considered the potential outcome of the litigation the Group is currently engaged in with one of its lenders, as disclosed in note 29.

Gama Holdings FZC
Directors' report (continued)
For the year ended 31 December 2011

Going concern (continued)

The directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adapted in the preparation of these financial statements.

Directors

The directors who served the company throughout the year were as follows:

G A Khalek

M A Khalek

S P Wright

D M Millington

B Jaffer

K Souaid

Sh. M A A Thani

M M Sukkar

Auditor

Each of the persons who is a director at the date of the approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By the order of the Board



Chief Financial Officer
D M Millington

12 April 2013

Gama Holdings FZC
Directors' responsibilities statement
For the year ended 31 December 2011

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS"). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with IFRS and relevant statute. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the accompanying financial statements of Gama Holding FZC (the "Group"), which comprise the consolidated balance sheet as at December 31, 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Gama Holding FZC as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account and the physical inventory was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the provisions of the FZC implementation Procedure under Law No. 2 of 1995, or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

12 April 2013



Gama Holdings FZC
 Consolidated income statement
 For the year ended 31 December 2011

		Year ended 2011			Year ended 2010
	Note	Acquisitions (see note 27) \$'000	Continuing operations \$'000	Total \$'000	\$'000
Continuing operations					
Revenue	5	568	183,374	183,942	154,964
Cost of sales		(531)	(168,208)	(168,739)	(138,832)
Gross profit		<u>37</u>	<u>15,166</u>	<u>15,203</u>	<u>16,132</u>
Impairment charge	6	-	(351)	(351)	(9,300)
Other administrative expenses		-	(18,490)	(18,490)	(17,479)
Total administrative expenses		-	(18,841)	(18,841)	(26,779)
Share of results of associates	15	-	(118)	(118)	(7)
Operating profit/ (loss)		<u>37</u>	<u>(3,793)</u>	<u>(3,756)</u>	<u>(10,654)</u>
Finance costs	9	-	(1,340)	(1,340)	(1,336)
Profit/(loss) before tax		<u>37</u>	<u>(5,133)</u>	<u>(5,096)</u>	<u>(11,990)</u>
Taxation (charge)/credit	10	-	(365)	(365)	2,789
Profit/(loss) for the year	6	<u>37</u>	<u>(5,498)</u>	<u>(5,461)</u>	<u>(9,201)</u>
Attributable to:					
Owners of the Company		37	(5,025)	(4,988)	(8,429)
Non-controlling interests		-	(473)	(473)	(772)
		<u>37</u>	<u>(5,498)</u>	<u>(5,461)</u>	<u>(9,201)</u>

Gama Holdings FZC
 Consolidated statement of comprehensive income
 For the year ended 31 December 2011

	Year ended 2011 \$'000	Year ended 2010 \$'000
Loss for the year	(5,461)	(9,201)
Exchange differences on translation of foreign operations	(143)	(75)
Total comprehensive loss for the year	<u>(5,604)</u>	<u>(9,276)</u>
Attributable to:		
Owners of the Company	(5,131)	(8,504)
Non-controlling interests	(473)	(772)
	<u>(5,604)</u>	<u>(9,276)</u>

Gama Holdings FZC
Consolidated balance sheet
As at 31 December 2011

	Note	2011 \$'000	2010 \$'000
Non-current assets			
Property, plant and equipment	13	24,290	26,916
Goodwill	11	3,614	2,194
Other intangible assets	12	673	827
Investments in associates	15	213	331
Deferred tax asset	19	445	464
		<u>29,235</u>	<u>30,732</u>
Current assets			
Inventories	16	5,977	4,374
Trade and other receivables	17	37,738	49,994
Cash and cash equivalents		6,404	4,511
		<u>50,119</u>	<u>58,879</u>
Total assets		<u>79,354</u>	<u>89,611</u>
Current liabilities			
Trade and other payables	21	(40,480)	(45,683)
Obligations under finance leases	18, 20	(6,418)	(882)
Borrowings	18	(9,292)	(7,960)
Deferred revenue	33	(3,222)	(6,124)
		<u>(59,412)</u>	<u>(60,649)</u>
Total assets less current liabilities		<u>19,942</u>	<u>28,962</u>
Non-current liabilities			
Borrowings	18	(12,786)	(14,992)
Obligations under finance leases	18, 20	(49)	(6,404)
Provision for Liabilities	30	(1,750)	-
Deferred tax liabilities	19	(1,397)	(1,061)
		<u>(15,982)</u>	<u>(22,457)</u>
Total liabilities		<u>(75,394)</u>	<u>(83,106)</u>
Net assets		<u>3,960</u>	<u>6,505</u>

Gama Holdings FZC
 Consolidated balance sheet (continued)
As at 31 December 2011

	Note	2011 \$'000	2010 \$'000
Equity			
Share capital	22	67	67
Share premium	23	4,498	4,498
Merger reserve	24	15,644	15,644
Accumulated losses	25	(15,639)	(13,567)
Equity attributable to owners of the Company		<u>4,570</u>	<u>6,642</u>
Non-controlling interest	26	<u>(610)</u>	<u>(137)</u>
Total equity		<u><u>3,960</u></u>	<u><u>6,505</u></u>

The financial statements were approved by the board of directors and authorised for issue on
 12 Apr 2013. They were signed on its behalf by:



Darren Millington

Director

Gama Holdings FZC
Consolidated statement of changes in equity
For the year ended 31 December 2011

	Share Capital \$'000	Share Premium \$'000	Merger reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2010	65	-	15,644	(5,063)	10,646	635	11,281
Loss for the year	-	-	-	(8,429)	(8,429)	(772)	(9,201)
Foreign exchange	-	-	-	(75)	(75)	-	(75)
Total comprehensive loss	-	-	-	(8,504)	(8,504)	(772)	(9,276)
Issue of Share Capital	2	-	-	-	2	-	2
Share premium arising	-	4,498	-	-	4,498	-	4,498
Transactions with owners	2	4,498	-	-	4,500	-	4,500
Balance at 31 December 2010	67	4,498	15,644	(13,567)	6,642	(137)	6,505
Loss for the year	-	-	-	(4,988)	(4,988)	(473)	(5,461)
Foreign exchange	-	-	-	(143)	(143)	-	(143)
Total comprehensive loss	-	-	-	(5,131)	(5,131)	(473)	(5,604)
Capital contribution (note 25)	-	-	-	3,059	3,059	-	3,059
Transactions with owners	-	-	-	3,059	3,059	-	3,059
Balance at 31 December 2011	67	4,498	15,644	(15,639)	4,570	(610)	3,960

Gama Holdings FZC
 Consolidated cash flow statement
 For the year ended 31 December 2011

	Note	Year ended 2011 \$'000	Year ended 2010 \$'000
Net cash generated from operating activities	28	3,120	5,812
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		63	731
Purchases of property, plant and equipment		(585)	(384)
Cash acquired with purchase of subsidiary undertaking	27	-	417
Investment in intangibles		-	(397)
Net Cash outflow on acquisition of subsidiary		(2,051)	-
Net cash (used by)/generated from investing activities		(2,573)	367
Cash flows from financing activities			
Issue of share capital / share premium arising		-	1,500
Capital contribution		3,059	-
Repayments of obligations under finance leases		(819)	(945)
Decrease in borrowings		(919)	(5,798)
Net cash generated from/(used by) financing activities		1,321	(5,243)
Net increase in cash and cash equivalents		1,868	936
Cash and cash equivalents at beginning of year		4,511	3,552
Effect of foreign exchange rate changes		25	23
Cash and cash equivalents at end of year		6,404	4,511
Cash and cash equivalents			
		2011	2010
		\$'000	\$'000
Cash and bank balances		6,404	4,511
		6,404	4,511

Cash and cash equivalents comprise cash and bank balances. The carrying amount of these assets is approximately equal to their fair value.

Gama Holdings FZC
Notes to the financial statements
For the year ended 31 December 2011

1. General information

Gama Holdings FZC is a limited liability company incorporated in Sharjah Airport International Free Zone, United Arab Emirates. The address of the registered office is Executive Desk Q1-06-068/A, PO Box 121954, Sharjah, UAE and its principal place of business is Building 6EB, Office 550, PO Box 54912, Dubai Airport Free Zone, Dubai UAE. The nature of the Group's operations and its principal activities are set out in the directors' report.

These financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

The company was incorporated on 16 July 2008 and the trade license was issued on 30 July 2008.

2. Changes in accounting policies

Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets ⁴
IAS 19 (as revised in 2011)	Employee Benefits ²
IAS 27 (as revised in 2011)	Separate Financial Statements ²
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
IAS 32 (as revised in 2012)	Financial instruments presentation ⁵

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 January 2014.

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the company, with the exception of changes in disclosure.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Merger accounting has been applied to reflect the combination of the results of the Company with those of Gama Group Limited, following the share for share exchange transacted on 11 December 2008. Other than as described above in respect of Gama Group Limited, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Going concern

The directors have performed a detailed analysis of the cash flow projections for the Group as a whole covering the period through to the financial year ended 2017 and concluded that the Group has sufficient assets, particularly third party receivables, to meet financing obligations as they fall due. The Group has benefited from the impact of new contracts which commenced post year end and has modelled the positive impact of mitigating factors should trading conditions worsen dramatically. The directors have also considered the potential outcome of the litigation the Group is currently engaged in with one of its lenders, as disclosed in note 29.

The directors are therefore of the opinion that in all reasonably foreseeable circumstances the company will remain a going concern for at least twelve months from the date on which these financial statements have been approved. Accordingly, the going concern basis has been adopted in the preparation of these financial statements.

3. Significant accounting policies (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date. Acquisition related costs are recognised in the income statement as incurred.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment. The Group's share of the changes in the carrying value of the investments in associates is recognised in the comprehensive income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the amount of any non-controlling interests in the acquiree and the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity 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. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

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

Rendering of services

Revenue from a contract to provide services is recognised when there is a right to consideration and is recorded at the value of the consideration.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. 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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. 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.

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate for each year end.

Operating profit/(loss)

Operating profit/(loss) is stated after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Internally-generated intangible assets

Internally generated intangible assets are recognised only if a separately identifiable asset is created from which future economic benefits are expected to flow. The life of each asset is assessed individually. Where the life is considered to be indefinite no amortisation is charged.

Software is amortised over the expected life of the asset which is generally not more than 5 years. Other intangibles include costs relating to the AOC (Air Operators Certificate), which is an essential cost to running the business. The certificate has an indefinite life and without the certificate the operation cannot perform legally and as such amortisation is not charged.

3. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in – first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold property	Life of lease
Aircraft hull and refurbishments	5-10% per annum depending on age on acquisition
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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 the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables and other receivables are measured at amortised cost less provision for doubtful debts, determined as set out below in "impairment of financial assets". Any write-down of these assets is expensed to the income statement.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 certain categories of financial asset, 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 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.

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 or loss.

Financial liabilities and equity

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

Equity instruments

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

Other financial liabilities

Other financial liabilities, including borrowings, are measured at fair value, net of transaction costs.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets and financial liabilities

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. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. Key accounting estimates and judgements

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

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

Judgements made by management in applying the accounting policies that could have a significant effect on the amounts recognised in the financial statements set out below:

- The goodwill impairment review requires the use of estimates related to future profitability and the cash generating ability of the related businesses. The estimates used may differ from the actual outcome. Details of the impairment review performed are set out in note 11.
- The allowance for doubtful debts is calculated based on management's best estimate of the amounts which will be recovered from trade debtors. A proportion of the trade receivables balance is with individuals, for whom it is more difficult to establish a credit rating. Management are in constant communication with all debtors and assess the likelihood of recoverability on a regular basis. The estimate of the allowance for doubtful debts may vary from the actual amounts recovered if an individual becomes unable to pay. An analysis of the trade receivables balance and indications of credit concentration are provided in note 17.

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4. Key accounting estimates and judgements (continued)

- The directors undertake an annual assessment to determine if there is any indicator of impairment of the Group's aircraft. Where there is an indicator of impairment the directors undertake a full impairment review considering both the value in use and the recoverable amount of the aircraft. The value in use of aircraft is determined based on current levels of charter volumes and rates. The value recoverable amount is assessed by reference to the aircraft's market value. The market values of business aircraft have been volatile since 2008 and the low number of transactions for some model types makes valuation difficult in some circumstances. Where there is a lack of recent data the directors have taken a prudent view of valuation based on recent sales of similar aircraft types when assessing recoverable amount.

5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 2011 \$'000	Year ended 2010 \$'000
Continuing operations		
Sales of services	183,942	154,964

6. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	Year ended 2011 \$'000	Year ended 2010 \$'000
Net foreign exchange (gains)/ losses	(517)	808
Depreciation of property, plant and equipment	2,803	2,840
Amortisation of intangible assets	159	127
Impairment of property, plant and equipment (*)	351	9,300
(Gain)/loss on disposal of property, plant and equipment	(17)	118
Cost of inventories recognised as expense	6,759	4,068
Write downs of inventories recognised as an expense	355	224
Staff costs (see note 8)	26,221	22,628
Impairment loss recognised on trade receivables (see note 17)	1,942	110
Reversal of impairment losses recognised on trade receivables (see note 17)	(45)	(2)
Litigation Provision (see note 30)	1,750	-
Negative goodwill credited to income statement (see note 27)	-	(181)

- (*) The directors have observed that as a result of the current economic downturn market values for second hand aircraft have been difficult and the number of distress sales has lowered the resale value of small and medium sized business aircraft. As a result the Group undertook a detailed impairment review and determined that an impairment of \$351,000 (2010: \$9,300,000) should be recorded.

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7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 2011 \$'000	Year ended 2010 \$'000
Audit and audit related services		
Fees payable to the company's auditor for the audit of the Group and company's annual accounts	23	53
Audit of the company's subsidiaries pursuant to legislation	97	132
	<u>120</u>	<u>185</u>
Non-audit services		
Other services	-	6
	<u>120</u>	<u>191</u>

8. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 2011 Number	Year ended 2010 Number
Operations and administration	112	88
Pilots and cabin crew	110	128
Aircraft engineering	107	84
	<u>329</u>	<u>300</u>

Their aggregate remuneration comprised:

	Year ended 2011 \$'000	Year ended 2010 \$'000
Wages and salaries	22,581	19,127
Social security costs	2,758	2,723
Other pension costs (see note 32)	882	778
	<u>26,221</u>	<u>22,628</u>

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9. Finance costs

	Year ended 2011 \$'000	Year ended 2010 \$'000
Interest on bank overdrafts and loans	188	64
Interest on obligations under finance leases	19	977
Other similar charges payable	1,133	295
	<u>1,340</u>	<u>1,336</u>
Total interest expense	<u>1,340</u>	<u>1,336</u>

10. Taxation

	Year ended 2011 \$'000	Year ended 2010 \$'000
Corporation tax:		
Current year	5	(7)
Adjustments in respect of prior years	-	63
	<u>5</u>	<u>56</u>
Deferred tax (note 19)	360	(2,845)
	<u>365</u>	<u>(2,789)</u>

The corporation tax rate in Sharjah Airport International Free Zone is 0% (2010 – 0%). The corporation tax rate in the United Kingdom, which is the jurisdiction in which the majority of the taxable profits arise, is 26% (2010 – 28%).

The main rate of corporation tax in the UK reduced to 26% on 1 April 2011 and further reduced to 24% effective from 1 April 2012. The UK Government intends to enact future reductions in the main tax rate down to 20% by 1 April 2015. The actual result will be dependent on our deferred tax position at that time

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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10. Taxation (continued)

The tax charge for the year, based on the tax rate in the United Kingdom, can be reconciled to the loss per the income statement as follows:

	Year ended 2011 \$'000	Year ended 2010 \$'000
Loss before tax	(5,096)	(11,990)
Tax at the corporation tax rate of 26.25 % (2010: 28 %)	(1,338)	(3,357)
Effects of:		
Expenses not deductible for tax purposes	(7)	(203)
Differences between capital allowances and depreciation	181	40
Origination of tax losses	1,231	14
Effect of tax rates in different jurisdictions	298	654
Adjustment to tax charge in respect of previous periods	-	63
Tax charge/(credit) for the year	<u>365</u>	<u>(2,789)</u>

11. Goodwill

	\$'000
Cost	
At 1 January 2010	2,532
Exchange differences	(338)
At 1 January 2011	<u>2,194</u>
Additions (note 27)	1,497
Exchange differences	(77)
At 31 December 2011	<u>3,614</u>
Accumulated impairment losses	
At 1 January 2010, 1 January 2011 and 31 December 2011	<u>-</u>
Carrying amount	
At 31 December 2011	<u>3,614</u>
At 31 December 2010	<u>2,194</u>

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11. Goodwill (continued)

The carrying amount of goodwill is allocated to the following cash generating units:

	2011 \$'000	2010 \$'000
Airops Software Limited	681	687
Gama Engineering Limited	2,633	1,202
Avialogistics Limited	253	256
Gama Aviation Limited/Gama Leasing Limited/Gama Support Services Limited	47	49
	<u>3,614</u>	<u>2,194</u>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of each business are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. The rate used to discount the forecast cash flows is 12% (2010: 12%).

The growth rate used ranged from 5% to 20% and is based on the expected growth following their acquisition into the Gama Group.

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12. Other intangible assets

	Software \$'000	Other \$'000	Total \$'000
Cost			
At 1 January 2010	-	430	430
Additions	154	243	397
	<u>154</u>	<u>673</u>	<u>827</u>
At 1 January 2011	154	673	827
Foreign exchange differences	(2)	-	(2)
	<u>152</u>	<u>673</u>	<u>825</u>
At 31 December 2011	<u>152</u>	<u>673</u>	<u>825</u>
Amortisation			
At 1 January 2010 and 1 January 2011	-	-	-
Charge for the year	159	-	159
Foreign exchange differences	(7)	-	(7)
	<u>152</u>	<u>-</u>	<u>152</u>
At 31 December 2011	<u>152</u>	<u>-</u>	<u>152</u>
Carrying amount			
At 31 December 2011	<u>-</u>	<u>673</u>	<u>673</u>
At 31 December 2010	<u>154</u>	<u>673</u>	<u>827</u>

The software asset relates to internally generated software developed by Airops Software Limited, a subsidiary undertaking. The software has been fully written off during the year.

The other intangible asset relates to those costs incurred in order to commence operations in the United Arab Emirates which meet the capitalisation requirements of IAS38. The asset has not been amortised because the directors believe it has an indefinite life.

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13. Property, plant and equipment

	Leasehold property \$'000	Aircraft hull and refurbishments \$'000	Fixtures, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 January 2010	3,497	46,448	1,410	1,386	52,741
Additions	204	-	173	71	448
Disposals	-	(4,078)	(556)	(215)	(4,849)
Exchange differences	(55)	(2)	(45)	(10)	(112)
At 1 January 2011	3,646	42,368	982	1,232	48,228
Additions	261	-	294	30	585
Disposals	(194)	-	(165)	(225)	(584)
Exchange differences	(18)	(1)	(9)	(3)	(31)
At 31 December 2011	3,695	42,367	1,102	1,034	48,198
Accumulated depreciation					
At 1 January 2010	399	8,246	943	753	10,341
Charge for the year	286	2,069	245	240	2,840
Eliminated on disposals	-	(378)	(553)	(190)	(1,121)
Impairment charge (note 6)	-	9,300	-	-	9,300
Exchange differences	5	(29)	(36)	12	(48)
At 1 January 2011	690	19,208	599	815	21,312
Charge for the year	328	2,058	239	178	2,803
Impairment charge (note 6)	-	351	-	-	351
Eliminated on disposals	(182)	-	(158)	(198)	(538)
Exchange differences	(6)	(1)	(10)	(3)	(20)
At 31 December 2011	830	21,616	670	792	23,908
Carrying amount					
At 31 December 2011	2,865	20,751	432	242	24,290
At 31 December 2010	2,956	23,160	383	417	26,916

The Group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of \$8.6 million (2010: \$10 million).

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14. Subsidiaries

Details of the Company's subsidiaries at 31 December 2011 and 31 December 2010 are as follows:

Name	Place of incorporation and operation	Proportion of voting and ownership interest	Nature of business
Gama Group Ltd	Great Britain	100%	Holding company
Gama Aviation Ltd *	Great Britain	100%	Aviation Management
Gama Aviation FZE	UAE	49%	Aviation Management
Gama Support Services FZE **	UAE	49%	Aviation design & engineering
Gama Leasing Ltd *	Great Britain	100%	Aviation Management
Gama Properties Ltd *	Great Britain	100%	Dormant
Gama Support Services Ltd *	Great Britain	100%	Aviation design & engineering
Gama Engineering Ltd *	Great Britain	100%	Aviation design & engineering
Gama Engineering Group Ltd **	Great Britain	100%	Holding Company
Avialogistics Limited *	Great Britain	76%	Aviation cleaning
Airops Software Ltd *	Great Britain	100%	Aviation software
Gama Aviation SA *	Switzerland	100%	Aviation Management
Gama Group Inc. *	USA	100%	Holding company
Gama Aviation Inc *	USA	100%	Aviation Management

* indicates indirect holdings.

** Both Gama Support Services FZE and Gama Engineering Group Limited were incorporated in 2011 so were not included as subsidiaries for the year ended 31 December 2010.

Gama Holdings FZC holds a 49% shareholding in Gama Aviation FZE and Gama Support Services FZE. The results of Gama Aviation FZE and Gama Support Services FZE are fully consolidated within the financial statements because Gama Holdings FZC is able to control the financial and operating policies of these companies.

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15. Associates

	2011 \$'000	2010 \$'000
Total assets	1,074	779
Total liabilities	(638)	(105)
Net assets	<u>436</u>	<u>674</u>
Group's share of net assets of associate	<u>213</u>	<u>331</u>
Total revenue	<u>20,155</u>	<u>21,812</u>
Loss	<u>(242)</u>	<u>(15)</u>
Group's share of loss of associate	<u>(118)</u>	<u>(7)</u>
Cumulative Group's share of loss of associate	<u>(120)</u>	<u>(2)</u>

Details of the Group's associate at 31 December 2011 and 31 December 2010 are as follows:

Name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
Operator Holding Inc	USA	49%	25%

16. Inventories

	2011 \$'000	2010 \$'000
Raw materials and consumables	4,749	1,686
Work in progress	1,228	2,688
	<u>5,977</u>	<u>4,374</u>

The directors consider that the carrying value of inventories is approximately equal to fair value.

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17. Other financial assets

Trade and other receivables

	2011 \$'000	2010 \$'000
Amount receivable for the sale of services	17,122	25,274
Allowance for doubtful debts	(2,786)	(1,408)
	<u>14,336</u>	<u>23,866</u>
Other debtors	4,613	4,054
Prepayments and accrued income	18,789	22,074
	<u>37,738</u>	<u>49,994</u>

Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 28 days (2010: 31 days). No interest is charged on overdue receivables (2010 – nil). The Group recognises an allowance for doubtful debts on a customer by customer basis, based on past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group assesses the potential customer's credit quality and requests payments on account, where considered appropriate, as a means of mitigating the risk of financial loss from defaults.

Of the trade receivables balance at the end of the year, \$5.8 million (2010: \$16 million) is due from the Group's largest 5 customers who comprise 15% (2010: 61%) of the ledger value at the year end.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables

	2011 \$'000	2010 \$'000
30-60 days	1,593	-
60-90 days	861	-
90-120 days	789	-
120-360 days	1,653	2,650
360+ days	634	12,990
	<u>5,530</u>	<u>15,640</u>
Total	<u>5,530</u>	<u>15,640</u>

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17. Other financial assets (continued)

Movement in the allowance for doubtful debts

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	1,408	1,367
Impairment losses recognised in income statement	1,942	110
Amounts written off as uncollectible	(514)	(62)
Amounts recovered during the year	(45)	(2)
Foreign exchange translation gains and losses	(5)	(5)
	<u>2,786</u>	<u>1,408</u>
Balance at the end of the year	<u><u>2,786</u></u>	<u><u>1,408</u></u>

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.

Ageing of impaired trade receivables

	2011 \$'000	2010 \$'000
30-60 days	-	201
60-90 days	-	75
90-120 days	(30)	693
120+ days	2,885	1,162
	<u>2,855</u>	<u>2,131</u>
Total	<u><u>2,855</u></u>	<u><u>2,131</u></u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No security is taken on trade receivables.

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18. Borrowings

	2011 \$'000	2010 \$'000
Secured borrowings at amortised cost		
Finance lease liabilities (note 20)	6,467	7,286
Other loans	22,078	22,952
	<u>28,545</u>	<u>30,238</u>
Total borrowings		
Finance lease liabilities	6,418	882
Other loans	9,292	7,960
	<u>15,710</u>	<u>8,842</u>
Amount due for settlement within 12 months	15,710	8,842
Finance lease liabilities	49	6,404
Other loans	12,786	14,992
	<u>12,835</u>	<u>21,396</u>
Amount due for settlement after 12 months	12,835	21,396

Analysis of borrowings by currency:

	Sterling \$'000	US Dollars \$'000	Total \$'000
31 December 2011			
Finance lease liabilities	26	6,441	6,467
Other loans	2,358	19,720	22,078
	<u>2,384</u>	<u>26,161</u>	<u>28,545</u>
31 December 2010			
Finance lease liabilities	105	7,181	7,286
Other loans	2,372	20,580	22,952
	<u>2,477</u>	<u>27,761</u>	<u>30,238</u>

The other principal features of the Group's borrowings are as follows.

- (i) Finance lease liabilities are secured by the assets leased. Interest arises at LIBOR + 1.96% and the leases expire in 2012.
- (ii) Other loans include:
 - £0.75 million (2010: £1.5 million), which has no fixed repayment term and carries an interest rate of 9.5% per annum (2010 – 9.5%).
 - \$11.6 million (2010: \$13.5 million) secured against aircraft. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding five years.

The Group is in dispute with one of these debt holders as discussed in note 29.

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19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Fixed asset timing differences \$'000	Short term timing differences \$'000	Tax losses \$'000	Total \$'000
At 1 January 2010	3,725	4	(287)	3,442
Movement in year	(2,397)	(5)	(197)	(2,599)
Change in tax rates	(267)	-	21	(246)
	<u>1,061</u>	<u>(1)</u>	<u>(463)</u>	<u>597</u>
At 1 January 2011	1,061	(1)	(463)	597
Movement in year	342	-	18	360
Forex	(6)	1	-	(5)
	<u>1,397</u>	<u>-</u>	<u>(445)</u>	<u>952</u>

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2011 \$'000	2010 \$'000
Deferred tax liabilities	1,397	1,061
Deferred tax assets	(445)	(464)
	<u>952</u>	<u>597</u>

The Group has not recognised a deferred tax asset of \$6.1 million (2010: \$6.1 million) in respect of tax losses brought forward because the future recoverability of the asset is uncertain. These losses begin to expire in 2013.

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20. Obligations under finance leases

	Minimum lease payments	
	2011	2010
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	6,573	1,336
In the second to fifth years inclusive	54	6,792
	<u>6,627</u>	<u>8,128</u>
Less: future finance charges	(160)	(842)
Present value of lease obligations	<u>6,467</u>	<u>7,286</u>
	Present value of minimum lease payments	
	2011	2010
	\$'000	\$'000
Amounts payable under finance leases:		
Within one year	6,418	882
In the second to fifth years inclusive	49	6,404
	<u>6,467</u>	<u>7,286</u>

It is the Group's policy to lease aircraft and cars under finance leases. The average lease term is 10 years for aircraft and 3 years for cars. For the year ended 31 December 2011, the average effective borrowing rate was 3 per cent (2010: 2.34 per cent). Interest rates are variable. Lease obligations are denominated in sterling (cars) and US dollars (aircraft).

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 13.

21. Other financial liabilities

Trade and other payables

	2011	2010
	\$'000	\$'000
Trade creditors and accruals	<u>40,480</u>	<u>45,683</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 (2010: 46) days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

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22. Share capital

	Number	AED '000	\$'000
Authorised, issued and fully paid:			
At 1 December 2010	2,400	240	65
Issue of shares	72	7	2
	<u>2,472</u>	<u>247</u>	<u>67</u>
At 31 December 2010	2,472	247	67
Issue of shares	-	-	-
	<u>2,472</u>	<u>247</u>	<u>67</u>
At 31 December 2011	<u>2,472</u>	<u>247</u>	<u>67</u>

The Company has one class of ordinary shares with a nominal value of AED100 and no right to fixed income.

The company issued 1,920 shares at AED100 at incorporation on 16 July 2008 at par.

Subsequently, the company issued a further 480 shares at AED100 on 11 December 2008 at par.

On 27 October 2010, 72 shares of AED100 were issued to existing shareholders, consideration for which was paid partly through cash injection (\$1,500,000) and partly by the capitalisation of existing loans (\$3,000,000). A premium of \$4,498,000 arose on this issue.

23. Share premium

	\$'000
At 1 January 2010	-
Issue of shares (see note 22)	4,498
	<u>4,498</u>
At 31 December 2010	4,498
Issue of shares	-
	<u>4,498</u>
At 31 December 2011	<u>4,498</u>

24. Merger reserve

	Merger reserve \$'000
Balance at 1 January 2010, 31 December 2010, and 31 December 2011	<u>15,644</u>

The merger reserve arising reflects the difference between the nominal value of the shares issued in the share for share exchange compared with the fair value of the shares acquired.

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25. Retained losses

	\$'000
Retained loss at 1 January 2010	(5,063)
Total comprehensive loss attributable to the owners of the Company	<u>(8,504)</u>
Retained loss at 31 December 2010	(13,567)
Capital contribution	3,059
Total comprehensive loss attributable to the owners of the Company	<u>(5,131)</u>
Balance at 31 December 2011	<u><u>(15,639)</u></u>

On 21 July 2011 Jet Set Equity Partners, a shareholder made a capital contribution to the Group of \$3,059,000. This was made in cash.

26. Non-controlling interest

	\$'000
Balance at 1 January 2010	635
Total comprehensive loss attributable to minority interests	<u>(772)</u>
Balance at 31 December 2010	(137)
Total comprehensive loss attributable to minority interests	<u>(473)</u>
Balance at 31 December 2011	<u><u>(610)</u></u>

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27. Acquisitions

Acquisition of business and assets in 2011

On 27 May 2011 an agreement was entered into for the purchase of the business and assets of Mann Aviation Group Engineering Limited ("MAGE") (In Administration) by Gama Engineering Limited. However, the Administrators were unable immediately to deliver the business and assets to Gama and a side agreement was put in place appointing Gama as their agents to manage the business until such time as the business could be transferred. This occurred on 16 November 2011. Due to the complexities involved, the period of Administration has been extended. Negotiations remain on-going and the final settlement between the Administrators and Gama has yet to be confirmed. The outcome of these could impact upon the value of goodwill recognised.

Net assets acquired	Fair value and book value \$'000
Stocks and work in progress	554
Goodwill acquired	1,497
Satisfied by:	
Cash consideration paid	<u>2,051</u>

MAGE contributed \$568,000 of revenue and \$37,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

Acquisition of subsidiary in 2010

On 1 January 2010, the Group acquired 100 per cent of the issued share capital of Gama Aviation SA for cash consideration of \$1. Gama Aviation SA provides payroll services to the Gama Aviation Group. This transaction has been accounted for by the purchase method of accounting.

	Book and fair value \$'000
Net assets acquired	
Trade and other receivables	6
Cash and cash equivalents	417
Trade and other payables	(222)
Provisions	(20)
	<u>181</u>
Negative goodwill credited to income statement in 2010	<u>(181)</u>
Total cash consideration (\$1)	<u>-</u>

Gama Holdings FZC
Notes to the financial statements
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28. Net cash generated from operating activities

	2011 \$'000	2010 \$'000
Loss for the year	(5,461)	(9,201)
Adjustments for:		
Finance costs	1,340	1,336
Income tax recognised	365	(2,659)
Depreciation of property, plant and equipment	2,803	2,840
Impairment of property, plant and equipment	351	9300
Amortisation of intangible	159	-
(Gain)/loss on disposal of property, plant and equipment	(17)	118
Credit to income statement of negative goodwill	-	(181)
Unrealised foreign exchange movements	25	(202)
Share of loss of associates	118	7
	<hr/>	<hr/>
Operating cash (outflow)/inflows before movements in working capital	(317)	1,358
Increase in inventories	(801)	(2,631)
Decrease in receivables	13,311	5,053
(Decrease)/increase in payables	(6,581)	1,061
(Decrease)/increase in deferred revenue	(2,902)	2,249
Increase in Long term provisions	1,750	-
	<hr/>	<hr/>
Cash generated by operations	4,460	7,090
Income taxes paid	-	58
Interest paid	(1,340)	(1,336)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>3,120</u>	<u>5,812</u>

29. Contingent liabilities

The banking facilities of Gama Group Limited and its UK subsidiary undertakings are secured by a fixed and floating charge over the assets of that company and its subsidiaries. The directors consider it highly improbable that any liability will crystalize as a result of this composite company multilateral guarantee.

The Group is in dispute with one of its debt holders about the terms of its debt. The debt holder has commenced litigation against the Group which is currently on going. Having taken legal advice the directors have made a provision of \$1,750,000 in the financial statements of the Group for the settlement of this case based on their best estimate of the likely settlement amount (see note 30).

Gama Holdings FZC
Notes to the financial statements
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30. Provisions for Liabilities

	2011 \$'000	2010 \$'000
<u>Litigation provision</u>		
Provision Brought Forward	-	-
Charged to income statement (note 6)	1,750	-
	<u>1,750</u>	<u>-</u>
Provision Carried Forward	<u>1,750</u>	<u>-</u>

The litigation provision is as a result of the Group being in dispute with one of its debt holders about the terms of its debt. The debt holder has commenced litigation against the Group which is currently ongoing. Should the debt holder be successful in this litigation the Group would be required to pay additional interest on the debt and the debt holder's legal costs. Having taken legal advice the directors have made a provision in the financial statements for the settlement of this case based on their best estimate of the likely settlement amount. For further details see note 29.

31. Operating lease arrangements

The Group as lessee

	2011 \$'000	2010 \$'000
Lease payments under operating leases recognised as an expense in the year	<u>3,568</u>	<u>2,078</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 \$'000	2010 \$'000
Within one year	2,175	1,854
In the second to fifth years inclusive	2,001	3,095
After five years	657	1,930
	<u>4,833</u>	<u>6,879</u>

Operating lease payments represent rentals payable by the Group for leasing of aircraft. Leases are negotiated for an average term of 5 years.

32. Retirement benefit schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of \$882,000 (2010: \$778,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of \$nil (2010: \$12,000) due in respect of the current reporting period had not been paid over to the schemes.

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Notes to the financial statements
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33. Deferred revenue

	2011 \$'000	2010 \$'000
Deferred revenue	3,222	6,124

The deferred revenue arises in respect of management fees invoiced in advance.

34. Financial instruments

The Group's financial assets and liabilities, as defined under IAS 39, and their estimated fair values are as follows:

At 31 December 2011

	Cash and cash equivalents \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Book Value total \$'000	Fair value total \$'000
Financial assets					
Cash and cash equivalents	6,404	-	-	6,404	6,404
Trade and other receivables	-	18,949	-	18,949	18,949
Financial liabilities					
Long term provision	-	-	(1,750)	(1,750)	(1,750)
Trade and other payables	-	-	(40,480)	(40,480)	(40,480)
Obligations under finance leases	-	-	(6,467)	(6,467)	(6,467)
Borrowings	-	-	(22,078)	(22,078)	(22,078)
Net financial assets/(liabilities)	6,404	18,949	(70,775)	(45,422)	(45,422)

At 31 December 2010

	Cash and cash equivalents \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Book Value total \$'000	Fair value total \$'000
Financial assets					
Cash	4,511	-	-	4,511	4,511
Trade and other receivables	-	27,920	-	27,920	27,920
Financial liabilities					
Trade and other payables	-	-	(45,683)	(45,683)	(45,683)
Obligations under finance leases	-	-	(7,286)	(7,286)	(7,286)
Borrowings	-	-	(22,952)	(22,952)	(22,952)
Net financial assets/(liabilities)	4,511	27,920	(75,921)	(43,490)	(43,490)

The fair value of the all financial instruments approximates their book values.

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Notes to the financial statements
For the year ended 31 December 2011

34. Financial instruments (continued)

34.1 Capital risk management

The Group manages its capital to ensure that the company and its subsidiaries will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity, comprising issued capital, reserves and accumulated losses as disclosed in notes 22 to 25.

The executive committee reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

34.2 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments across the Group in each individual currency. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

34.2.1 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Sterling	24,414	23,580	23,080	25,267
Euro	2,199	1,477	3,054	3,685
Swiss Franc	2,125	3,475	2,050	493

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34. Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is exposed to Sterling, the Euro and the Swiss Franc.

The following table details the Group's sensitivity to a 10 per cent increase in the US Dollar against the relevant foreign currencies. This percentage has been determined based on the average market volatility in exchange rates in the previous 24 months. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

	Sterling impact		Euro impact		CHF impact	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit/(loss)	(133)	169	105	221	(7)	(298)

34.2.2 Interest risk management

The Group is exposed to interest rate risk as it finances fixed asset purchases using both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rates on financial liabilities is detailed in section 34.4 Liquidity risk management section. The Group's exposure to interest rates on financial assets has been assessed by management as insignificant.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared based on the average liability held by the Group over the year. A 1 per cent increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent basis points higher and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2011 would decrease by \$270,000 (2010: \$320,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate finance leases; and
- other comprehensive income would not be impacted (2010: nil).

The Company's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the value of finance leases held.

34. Financial instruments (continued)

34.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and requesting payments on account, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

Trade receivables consist of a large number of customers, coming from diverse backgrounds and geographical areas. Ongoing review of the financial condition of accounts receivable is performed. Further details can be located in note 17.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. There has been no change to the Group's exposure to credit risk or the manner in which these risks are managed and measured during the year.

34.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities wherever possible. There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured during the year.

Liquidity and interest risk table

The maturity profile of the financial liabilities is summarised below. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Less than 1 year \$'000	2 -5 years \$'000	More than 5 years \$'000	Total \$'000
31 December 2011					
Long term provision	0%	-	1,750	-	1,750
Trade & other payables	0%	40,480	-	-	40,480
Finance lease creditors	13.4%	6,418	49	-	6,467
Loans	1.3%	9,292	12,786	-	22,078
31 December 2010					
Trade & other payables	0%	45,683	-	-	45,683
Finance lease creditors	14.6%	882	6,404	-	7,286
Loans	1.1%	7,960	14,992	-	22,952

The directors consider that the carrying amounts of financial liabilities recorded in the financial statements approximate their fair values.

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35. Events after the balance sheet date

On the 28 March 2012, Gama Engineering Group Ltd, a subsidiary undertaking of the Group, acquired the entire ordinary share capital of Ronaldson Airmotive Ltd, an Oxford based company specialising in the overhaul, maintenance and inspection of piston engines and components. Under the terms of the deal, part of the consideration included a 6% shareholding of Gama Engineering Group Ltd, the immediate parent company of Gama Support Services Ltd, Gama Engineering Ltd and Ronaldson Airmotive Ltd.

36. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of services		Purchase of services	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Zulu X-Ray Services Limited	-	-	552	387
Gama Charters Inc	707	560	1,352	1,830
Crescent Investment LLC	4,567	4,572	99	166
MOD SPV	-	-	386	350
Air Arabia	221	501	-	-
Quanon Capital	2,868	100	-	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Zulu X-Ray Services Ltd	-	860	-	-
Gama Charters Inc	385	61	-	-
Crescent Investment LLC	-	953	37	-
MOD SPV	-	-	486	82
Air Arabia	16	110	-	-
Quanon Capital	1,285	-	-	-

Mr G A Khalek, a director of the company, controls 25% of the voting rights of Zulu X-Ray Services Limited.

The Group controls 25% of the voting rights of Gama Charters Inc, a company registered in the USA, indirectly through Operator Holdings Inc.

Crescent Investment LLC is an investor in Growthgate Capital, a shareholder of the company.

The MOD SPV (Oneti Ltd) is owned by Mr M A Khalek, a director and shareholder of the company.

Quanon Capital is controlled by shareholders of the company.

Air Arabia is controlled by shareholders of the company.

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Notes to the financial statements
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36. Related party transactions (continued)

All sales and purchases of services are made at market price.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. A provision of \$nil (2010 \$500,000) has been made against the balance owed by Zulu X-Ray Services Limited. No other provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

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

	2011 \$'000	2010 \$'000
Short-term employee benefits	770	370
Post-employment benefits	100	59
	<u>870</u>	<u>429</u>

Directors' transactions

At 31 December 2011, Mr G A Khalek owed the Group \$497,000 (2010: the Group owed Mr G A Khalek \$339,000) in the form of a director's loan account, being funds advanced by the Group. The loan is due on demand, is interest free and is unsecured.

At 31 December 2011, the Group owed Mr M A Khalek \$302,000 (2010: \$192,000) in the form of a director's loan account, being funds advanced to the company. The loan is due on demand, is interest free and is unsecured.

Ultimate controlling party

The ultimate controlling party is Mr M A Khalek by virtue of his majority shareholding.

37. Provision for employees end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

	2011 \$'000	2010 \$'000
At 1 January	28	8
Amounts charged for the year	52	20
Amounts paid during the year	-	-
	<u>80</u>	<u>28</u>
At 31 December	<u>80</u>	<u>28</u>