



الواحة كابيتال
Waha Capital

Waha Capital P.J.S.C.

**Corporate Governance Report
for 2010**

28 February 2011

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Introduction

Overview

The purpose of this document is to report on the corporate governance framework at Waha Capital P.J.S.C. ("Waha" or the "Company"), in accordance with Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards ("Corporate Governance Code") issued by the Securities and Commodities Authority ("ESCA"). The Corporate Governance Code became binding on listed joint stock companies on 30 April 2010.

This report includes a discussion of the following:

- 1- Corporate governance practices – the principles of the Company's corporate governance framework and the approach the Company takes to the implementation of these principles;
- 2- Board of Directors (the "Board") – the role of the Board in connection with the Company's corporate governance framework, the structure and composition of the Board, the terms of membership of the Directors and the means of setting their remuneration;
- 3- Board committees – a description of the functions and responsibilities of the three Board Committees;
- 4- Directors' dealings in Waha securities – a description of the Company's share dealing policy, and the Company's approach to ensuring that it complies with its disclosure obligations relating to Directors' dealings in Waha securities;
- 5- Internal Control System – a description of the Company's internal control system, and the Company's approach to complying with that system;
- 6- External Auditor's fees – a statement of the fees and expenses relating to auditing or other services provided by the Company's external Auditor; and
- 7- General information – certain other information requested by ESCA, including whether there were any corporate governance violations committed during 2010 and, if so, the steps taken to remedy these violations, and to ensure that they are not repeated in future.

1. Corporate Governance Practices

a. Corporate Governance Rules

The Company is committed to strong corporate governance principles, including the following:

- An effectively functioning and well informed Board;
- Clearly defined roles and responsibilities of the Board, its members, its Committees, and key company officers and executives;
- Effective communication with shareholders through the Annual General Assembly, Corporate Governance reports, periodic and annual financial reporting, and regular dialogue;
- Complying with the continuous disclosure rules of ESCA and the Abu Dhabi Securities Exchange ("ADX");
- Ensuring that the Company's performance and financial reporting are properly directed and controlled through an effective internal control system; and
- Adopting high ethical standards and practices by the Company, its officers, and employees.

To achieve these aims, and to ensure compliance with the specific requirements of the Corporate Governance Code issued by ESCA, the Company recently revised its Corporate Governance Manual, which now contains policies on the following subjects:

- Board and Director Matters;
- Board Committees;
- Delegation of Authority to Management;
- Relationship with Shareholders;
- Company's Disclosure Obligations;
- Internal Control System;
- Engagement of External Auditor;
- Code of Conduct;
- Share Dealing Policy;
- Executive Committee Terms of Reference;
- Audit Committee Terms of Reference; and
- Nomination and Remuneration Committee Terms of Reference.

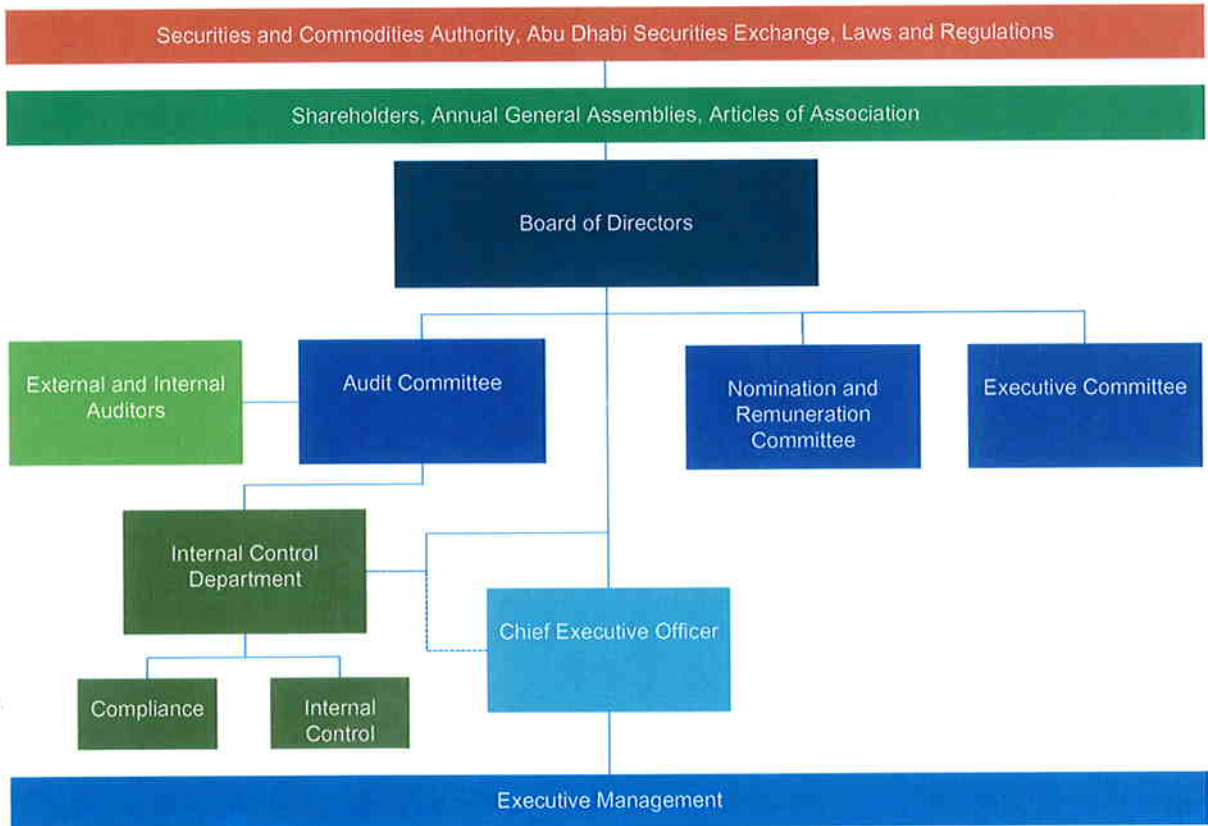
A copy of this Manual has been submitted to ESCA for its approval.

The Board will review the Company's Corporate Governance Manual at least once a year, to ensure that it keeps abreast of regulatory changes, changes to the operations of the Company, and prevailing corporate governance concepts.

b. Corporate Governance Structure

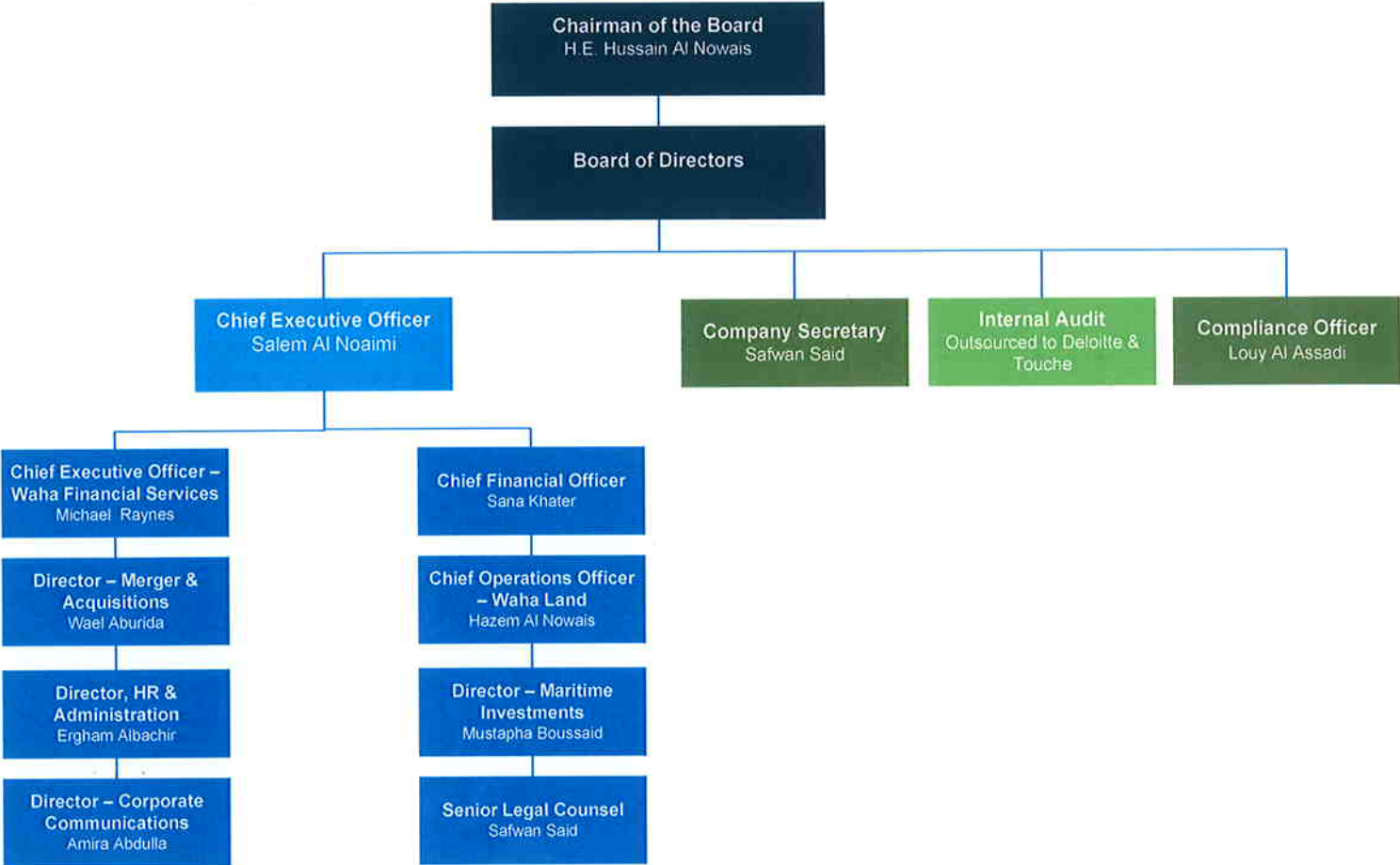
As the next two charts show, the Board plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders. The Board is assisted in this process by various Board Committees (particularly the Audit Committee and the Nomination and Remuneration Committee), external and internal auditors, and Company officers and employees (including the Chief Executive Officer, the Company Secretary, the Compliance Officer, and other members of Management).

The following illustrates the corporate governance structure at Waha:



c. Waha Capital Organization Structure

The following illustrates the organizational structure at Waha:



d. Disclosure Practices

The Company is committed to complying with all of its disclosure obligations, including to ESCA, the ADX and to shareholders, so that trading in its shares can take place in an informed market. In 2010, the Company made regular disclosures to ESCA and ADX, including in relation to its quarterly and annual financial statements, its upcoming Board meetings and decisions, and other announcements on key financial and/or operational matters/transactions.

e. Delegation of Authority Policy

The Board has delegated to the CEO certain levels of authority to conduct the business of the Company within the United Arab Emirates and abroad, and to carry out all acts reasonably necessary to fulfill the Company's objects. The CEO may delegate any of his powers with the approval of the Board.

The Executive Committee has approved, in its meeting dated 11 February 2008, the expenditures approval mandate/authorities, where Management is authorised to incur expenditures up to AED 400,000. Furthermore, the Company adopts a written policy on the approval of purchases (supplies and services), payroll and related employee expense claims, and petty cash transactions.

The Board has also delegated certain authority to its three Board Committees, being the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee (see Section 3 of this Report for further details).

f. Code of Conduct

The Company has adopted a Code of Conduct, which addresses the following areas:

- Compliance with Laws, Rules and Regulations;
- Personal Conduct;
- Standard of Conduct;
- Confidentiality and Intellectual Property Rights;
- Integrity and Conflicts of Interest;
- Competition and Fair Dealing;
- Corporate Opportunities;
- Protection and Proper Use of the Company's Assets;
- Environment and Community Service;
- Health and Safety;
- Reporting any Violations of the Code;
- Compliance Procedure; and
- Disclosure in Reports and Documents.

Company officers and employees are required to comply with this Code in performing their duties.

2. Board of Directors

a. Role of the Board

The Board is responsible to the Company's shareholders for creating and delivering sustainable value through the management of the Company's businesses. In particular, the Board is responsible for providing strategic direction, management supervision and adequate controls with the objective of promoting the success and long-term value of the Company. The Board also plays a central role in the Company's corporate governance framework. It is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders.

b. Composition of the Board

The current Board of Directors was elected by the Company's shareholders in the Company's 2009 Annual General Assembly (held on 5 March 2009). The Board is comprised of the following members:

- Hussain Al Nowais – Chairman;
- Saif Al Hajeri – Vice-Chairman;
- Abubaker Al Khoori;
- Carlos Obeid;
- Fahad Al Raqbani;
- Khaled Al Mass; and
- Mansour Al Mulla.

All of the Directors' terms of office will expire upon the Company's Annual General Assembly in 2012.

All of the above Directors are considered as non-executive and independent, according to the definitions used in the Corporate Governance Code. In particular, that Code provides that a Director cannot be deemed to be independent if he/she satisfies any of the following:

- He/she is an employee of any party related to the Company during the last two years;
- He/she is directly related to a Company that performs consultation business or provides consultations to the Company or any parties related thereto;
- He/she enters into personal service contracts with the Company, any party related to the Company or the employees of the executive management of the Company;
- He/she is directly related to a non-profit organization that receives a considerable financing from the Company or a party related thereto;
- He/she is during the last two years related to or an employee of any external or former auditor of the Company or any party related to the Company; or
- His/her or his/her minor children's share or the share of both in the capital of the Company amounts to ten percent or more.

In addition, each of the Directors signed an independent director attestation, which was submitted to ESCA in September 2010.

To ensure their continued independence, Directors are required to disclose the nature of their positions with other organizations, including companies and public institutions, and indicate the set term of each position, when they first join the Company, and when their positions change.

The Corporate Governance Code also provides that a Director is non-executive if they are not dedicated on a full time basis to the management of the Company or do not receive a monthly or annual salary from the Company (remuneration received as a Board member does not constitute a salary). All of the Directors satisfy this definition and are thus considered as non-executive Directors.

c. Directors' Qualifications and Experience

The Directors' qualifications and experience are as follows:

- Qualifications, including academic or professional certificates;
- External Appointments/Positions, representing the Directors' respective experience and positions/occupations in organizations outside the Waha Group; and
- Internal Appointments/Positions, representing the Directors' respective experience and positions/occupations within Waha Group.

Director Name	Qualification	External Appointments		Internal Appointments				
		Company	Position	Company	Position			
Hussain Al Nowais	<ul style="list-style-type: none"> • Bachelor of Arts Degree in Business Administration (Emphasis in Finance) 	Emirates Holding	Chairman	Waha Capital PJSC	<ul style="list-style-type: none"> • Chairman of the Board • Chairman of the Executive Committee 			
		Abu Dhabi Basic Industries Corporation (ADBIC)	Chairman					
		General Holding Corporation (GHC)	Chairman					
		Khalifa Fund for Enterprises Development	Chairman					
		National Petroleum Construction Company (NPCC)	Chairman					
		Abraaj Capital	Vice Chairman					
		Abu Dhabi Aviation	Board Member					
		Sheikh Khalifa University for Science and Technology	Board Member					
		Rotana Hotel Group	Board Member					
		Saif Al Hajeri	<ul style="list-style-type: none"> • Bachelor in Business and Economics 			Tawazun Holding (Offset Program Bureau)	Chief Executive Officer	Waha Capital PJSC
Abu Dhabi National Hotels (ADNH)	Chairman							
Khalifa Fund For Enterprise Development	Board Member							
Caracal International	Board Member							
Abu Dhabi Autonomous Systems Investments	Board Member							
Yah Satellite Communications	Board Member							
Burkan Munitions	Board Member							
Abu Dhabi National Exhibition Company (ADNEC)	Board Member							
EXCEL London	Board Member							
General Holding Company (GHC)	Board Member							
Abu Dhabi Tourism Authority (ADTA)	Board Member							
Tourism Development and Investment Company PJSC	Board Member							
Abubaker Al Khoori	<ul style="list-style-type: none"> • Bachelor Degree in Finance • Certified Chartered Financial Analyst (CFA) • Executive Business Program 	Sorouh Real Estate PJSC		Managing Director	Waha Capital PJSC	<ul style="list-style-type: none"> • Director • Member of the Executive Committee 		
Agthia		Board Member						
General Holding Corporation (GHC)		Board Member						
Abu Dhabi Finance Company Pvt.JSC		Board Member						
Abu Dhabi Chamber of Commerce & Industry		Board Member						
Abu Dhabi Securities Exchange		Board Member						
Emirates Steel Industries		Board Member						
Khalifa Fund		Board Member						
Abu Dhabi Basic Industries Corporation (ADBIC)		Board Member						

Director Name	Qualification	External Appointments		Internal Appointments	
		Company	Position	Company	Position
Carlos Obeid	<ul style="list-style-type: none"> • Masters in Business Administration • Bachelor of Science in Electrical Engineering 	Al Foah	Board Member	Waha Capital PJSC	<ul style="list-style-type: none"> • Director • Chairman of the Audit Committee • Member of the Nomination and Remuneration Committee
		Mubadala	Chief Financial Officer		
		Mubadala GE Capital	Chairman		
		John Buck International Properties	Chairman		
		Mubadala CapitaLand Real Estate	Chairman		
		Cleveland Clinic Abu Dhabi	Board Member		
		Yahsat	Board Member		
		Injazat Data Systems	Board Member		
		Abu Dhabi Future Energy Company (MASDAR)	Board Member		
		Mubadala Infrastructure Partners	Board Member		
Fahad Al Raqbani	<ul style="list-style-type: none"> • Masters Degree in Finance and Risk Management • Bachelor Degree of Arts in International Economics 	KOR Hotel Group	Board Member	Waha Capital PJSC	<ul style="list-style-type: none"> • Director • Member of the Audit Committee • Member of the Nomination and Remuneration Committee
		Abu Dhabi Council For Economic Development (ADCED)	Deputy Director General		
		General Holding Corporation (GHC)	Board Member		
		Abu Dhabi Basic Industries Corporation (ADBIC)	Board Member		
		Siraj Finance	Board Member		
		Tanqia	Board Member		
		Algerian Utilities International Limited	Board Member		
		Al Hikma Development Company	Board Member		
Khaled Al Mass	<ul style="list-style-type: none"> • Bachelor of Business Administration 	SKH in Algeria	Board Member	Waha Capital PJSC	<ul style="list-style-type: none"> • Director • Member of the Executive Committee
		IMASS Investment	Chairman		
		I See Entertainment	Chairman		
		iTech Management Consultancy	Chairman		
		CAPM Investment	Chairman		
Mansour Al Mulla	<ul style="list-style-type: none"> • Bachelor of Science in Business Administration (information Systems) 	Daman	Board Member	Waha Capital PJSC	Director
		Mubadala Development Company PJSC	Advisor		
		Abu Dhabi Finance Company Pvt.JSC	Board Member		
		Abu Dhabi Operating Company Pvt.JSC	Board Member		

d. Board of Directors Meetings

The Board of Directors held six (6) meetings during 2010 on the following dates:

- 25 January 2010;
- 22 February 2010;
- 28 April 2010;
- 23 August 2010;
- 21 October 2010; and
- 20 December 2010.

The minutes of each meeting were signed by all Directors who attended the relevant meeting. The majority of directors attended at least five of these Board meetings.

In compliance with the Corporate Governance Code, the Company now has Board meetings at least once every two months.

e. Directors' Remuneration

The Company's General Assembly determines the remuneration of the Board directors on an annual basis. According to the Company's Articles of Association and the Corporate Governance Code, the Director's remuneration cannot exceed 10% of the net profits of the Company, after deducting 10% of the net profits to the statutory reserve, and paying a first dividend to shareholders of at least 5%.

The Nomination and Remuneration Committee is also required to review, at least annually, the remuneration proposed to be paid to Directors, whether in their capacity as members of the Board or of Board Committees, and make recommendations to the Board as considered appropriate.

In 2010, the Directors were paid AED 9 million (in aggregate) in respect of the 2009 financial year. The Directors' fees for the 2010 financial year will be decided at the Company's Annual General Assembly for 2011.

Furthermore, as per the Company's Policy, Directors will not be entitled to participate in any share option plan (or other form of long term incentive plan) of the Company.

f. Director Induction Program

The Company's policy on Director induction requires all new Directors to participate in the Company's induction program. This program includes presentations by Management to familiarise new Directors with the Company's strategic plans, business operations and activities, business units and departments, and principal officers and employees. The program aims at providing the information required to ensure that a new director understands his/her duties and responsibilities under the applicable laws and regulations, the Company's Corporate Governance framework, and understands the Company's policies and procedures.

g. Director Development Programs

The Company has a policy of developing the skills of Directors through the provision of appropriate development and knowledge improvement programs. These programs aim at improving the knowledge and skills of Directors, and ensuring that Directors develop or maintain the following:

- An appropriate level of knowledge of the industries in which the Company operates;
- A clear understanding of the Company's business operations;
- A clear understanding of the Company's financial circumstances;
- A clear understanding of the Company's strategy and direction; and
- A high level knowledge of the business risks that may affect the Company's success.

3. Board Committees

a. Board Committees

The following Board Committees have been established, and comprise of non-executive Board members:

Name of Board Committee	Committee Members
Executive Committee (EC)	<ul style="list-style-type: none">• Hussain Al Nowais (Chairman)• Abubaker Al Khoori• Khaled Al Mass
Audit Committee (AC)	<ul style="list-style-type: none">• Carlos Obeid (Chairman)• Saif Al Hajeri• Fahad Al Raqbani
Nomination and Remuneration Committee (NRC)	<ul style="list-style-type: none">• Saif Al Hajeri (Chairman)• Carlos Obeid• Fahad Al Raqbani

The Company adopts formal Terms of Reference (charters) for each of these three Board Committees, which deals with the composition, duties, and responsibilities of each Committee, amongst other things. These Terms of Reference were amended recently to comply with the new requirements of the Corporate Governance Code. As per that Code, the Chairman of the Board cannot be a member of the Audit Committee or the Nomination and Remuneration Committee.

The following governs the relationship between the Board and its Committees as per the Company's Corporate Governance Manual:

- **Reporting to the Board:** each Committee will report regularly to the Board about their activities and the exercise of their powers – this includes updating the Board at each Board meeting of all decisions and resolutions passed by the Committees since the last Board meeting;
- **Annual Evaluation:** each Committee will evaluate its workings under its relevant Terms of Reference on an annual basis, with a view to improving the workings of the relevant Committee or its relationship with the Board; and
- **Board Follow-up:** the Board will follow up the operations of the Committees to ensure that they are adhering to their Terms of Reference.

b. Terms of Reference

On 23 August 2010, the Board revised the Terms of Reference for each Committee to ensure compliance with the new requirements of the Corporate Governance Code. The following sets out a summary of these Terms of Reference.

c. Membership

Executive Committee

The Executive Committee is comprised of the following members:

- Hussain Al Nowais, Chairman;
- Abubaker Al Khoori, Member; and
- Khaled Al Mass, Member.

Audit Committee

The Audit Committee membership criteria and conditions according to its updated and approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code.

The Audit Committee is comprised of the following members:

- Carlos Obeid, Chairman;
- Saif Al Hajeri, Member; and
- Fahad Al Raqbani, Member.

The members of the Audit Committee do not occupy executive managerial positions in the Company. Each of the Members is also considered as independent. The Chairman of the Audit Committee (Carlos Obeid) is considered the financial expert in the financial and accounting affairs supported by his position as Chief Financial Officer of Mubadala.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee membership criteria and conditions according to its updated and approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code.

The Nomination and Remuneration Committee is comprised from the following members:

- Saif Al Hajeri, Chairman;
- Carlos Obeid, Member; and
- Fahad Al Raqbani, Member.

d. Duties and Responsibilities

Executive Committee

The Executive Committee acts on behalf of the Board usually when timing is critical, and is authorised by the Board to fulfill the objects set out in the Company's Memorandum and Articles of Association, including the authorization and negotiation of and entry into legally binding agreements on behalf of the Company, in connection with any of the following as per its approved Terms of Reference and the Board delegated authorities set therein:

- Entering into Share or asset purchase or disposal agreements;
- Entering into or terminating any joint venture arrangements or shareholder agreements with another company or legal entity;
- Entering into any limited or general partnership as a general partner;
- Obtaining commitments to fund;
- Entering into or terminating any financing under which the Company accepts a funding commitment in favor of a party outside the Company's group;
- Restructuring of the Company financing;
- Entering into leasing or licensing agreements;
- Entering into management agreements relating to the management of asset portfolios;
- Establishing of special purpose vehicles in appropriate jurisdictions through which the Company may conduct its business; and
- Entering into hedging arrangements.

The Executive Committee cannot approve entering into transactions that have a value exceeding AED 150 million. Such transactions can only be approved by the Board.

Audit Committee

The duties and responsibilities of the Audit Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Audit Committee has the following key duties and responsibilities:

- Overseeing the integrity of and reviewing the Company's financial statements and annual and quarterly reports;
- Developing and applying the policy for contracting with external auditors, and following up and overseeing the qualifications, independence and performance of the external auditor;
- Overseeing the qualifications, independence and performance of the Company's internal audit and compliance staff, and approving the annual audit plan prepared by the internal auditors;
- Reviewing the external and internal auditor's management letters, reports and recommendations, and management responses, and overseeing the implementation of action steps recommended by the Audit Committee;
- Reviewing the Company's financial control, internal control and risk management systems;
- Overseeing the scope of the Company's compliance with its Code of Conduct and its various legal and regulatory obligations; and
- To review or investigate any allegations of fraud or theft which are brought to the Audit Committee's attention, which are made by or against employees or Directors and make appropriate recommendations to the Board.

Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee according to its approved Terms of Reference are consistent with the governance rules set forth in the Corporate Governance Code. In particular, the Nomination and Remuneration Committee has the following key duties and responsibilities:

- Organizing and following up the Board nomination procedures in line with the requirements of applicable laws and regulations and of the ESCA Corporate Governance Code, in addition to determining the Company's needs for qualified staff at the level of senior management and the basis for their selection;
- Verifying the ongoing independence of independent Board members;
- Reviewing and approving, in consultation with the Chairman of the Board and/or the Chief Executive Officer, the terms and conditions of the service contracts of Executive Directors and senior management employees;
- Reviewing at least annually the remuneration (comprising basic salary, other allowances, and any performance-related element of salary or bonus) of the Company's employees including the senior management team, and remuneration proposed to be paid to the Board directors; and
- Preparing a succession plan for the Board and its Committees, the Chief Executive Officer, and key members of Management.

e. Meetings

Executive Committee

The Executive Committee meets as often as required. The following are the Executive Committee meeting dates during the year 2010:

- 23 May 2010; and
- 26 September 2010.

In addition to the meetings, the Executive Committee passes resolutions by circulation, provided that it is signed for approval by all Committee members.

Audit Committee

The Audit Committee held four meetings during the year 2010, complying with the Corporate Governance Code. The following are the Audit Committee meeting dates in 2010:

- 25 January 2010;
- 28 April 2010;
- 22 July 2010; and
- 21 October 2010.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee meets as often as required. In 2010, it met once on 28 November 2010.

4. Directors' Dealings in Waha Securities

a. Company Share Dealing Policy

The Company has adopted a policy on Directors' and employees' dealing in the Company's securities, for the purpose of ensuring that the Company's Directors and employees (and their closely related individuals) do not deal or trade in securities issued by the Company or its subsidiary or sister companies based on undisclosed confidential information or in circumstances of conflict. The following represents the key aspects of the Share Dealing Policy:

- No director or employee of the Company (or any subsidiary or other company controlled by Waha) may deal in Company securities whilst they are in possession of any information which could affect the price of these securities, where such information has not been disclosed to the ADX.
- Trading may not take place during any black-out period, which is generally the period commencing in the last two weeks of an accounting quarter, and ending once the accounts for that quarter have been released to the market.
- Directors who are not in possession of such information as referred to above, and who are not proposing to trade in any black-out period, may only deal in the securities of the Company with the prior written consent of the Chairman (or, in his absence, of the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the CEO (or, in his absence, the Company Secretary).

b. Policy Implementation Measures

The Board and the individual Directors as well as Company management understand their obligations with respect to disclosure requirements in connection with their dealings in Waha securities and are compliant with all requirements set by ESCA and the ADX.

5. Internal Control System

a. Company's Policy on Internal Control

The Company's internal control/supervisory system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding the interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorised business activity, misleading financial statements, uninformed risk-taking, or breach of legal or contractual obligations.

As per the approved Company Corporate Governance Manual, the Board is responsible for ensuring that the Company applies a precise internal control system that covers the following key functions:

- Internal Audit;
- Risk Management; and
- Compliance.

Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company in an effective and efficient manner.

The Board will conduct an annual review of the efficiency of the Company's internal control system and the scope of the Company's compliance with that system.

b. Independent Assessment of the Internal Control System

During the year 2010, the Company was subject to the following independent assessments of its internal control system:

- Annual external audit and interim reviews of Waha consolidated financial statements through KPMG professional services firm (latest available interim review is for the third Quarter 2010 ended 30 September 2010, and latest available external audit report is for the year ended 31 December 2010). The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the entity's internal control.
- Internal Audit of Waha business processes and functions through Deloitte professional services firm, according to an Internal Audit Plan approved by the Audit Committee on 19 October 2009. The scope of internal audit for the year 2010 covered the following:

Process Covered/Report Released	Date of Internal Audit Review	Date of Follow-up Review
1. Waha Leasing - Leased Assets Management	October 2009	October 2010
2. Information Technology	December 2009	October 2010
3. Waha Maritime	January 2010	October 2010
4. Human Resources and Payroll	October 2010	January 2011
5. Oracle EBS Functionality and Process	October 2010	January 2011
6. Financial Investments	December 2010	March 2011 (targeted date)

The internal audit procedures are designed on the assumption that the responsibility for a sound system of internal controls rests with management and work performed by internal audit might not lead to identifying all strengths and weaknesses that may exist, but so that any material irregularity has a reasonable probability of discovery. The internal audit procedures focus on areas as identified by Management as being of greatest risk and significance, and the internal audit plan therein is subject to the approval of the Audit Committee.

The internal audit function (independent internal auditors) reports directly to the Audit Committee.

c. Risk Management Function

The Company performed an Enterprise-Wide risk assessment during 2009 with the assistance of Deloitte professional services firm, for the objective of identifying the Company's key risks and preparing the internal audit plan. The internal audit plan and the results of the risk assessment were approved by the Company's Audit Committee on 19 October 2009.

The Company recently undertook an initiative of establishing a Financial Risk Manager Position, and assigned an individual to fulfill the same. As per the draft job description of the Financial Risk Manager Position, the later is responsible for the following key matters:

- Helping on establishing Waha's risk management department and building the required infrastructure;
- Working with the Chief Financial Officer and senior managers to set risk appetites and concentration/ allocation limits, and preparing and updating Waha's risk statement;
- Measuring Waha's financial risks and proposing the mitigation/hedging strategies to Management;
- Monitoring financial risks and ensuring compliance with the Company's risk statement approved by the Board;
- Developing and monitoring risk limits, modeling and analysing trading strategies, developing and monitoring methodologies for capital allocation and portfolio optimization;
- Preparing periodic risk reports for various committees, the Chief Financial Officer, Board meetings, and quarterly presentations to Management;
- Working on stress test scenarios and validating the hypothetical return scenarios arising from the application of the stress scenarios to the existing and proposed investments;
- Reviewing and analyzing the credit risk reports of major counterparties prepared by the analyst team; and
- Monitoring and updating the credit risk profile of Waha's leasing and loan portfolio.

The Company is in the process of developing and implementing an Enterprise Risk Management (ERM) framework including defining risk appetite, identifying key risks, risk mitigation plans, and risk management context.

d. Compliance Function

In its meeting dated 23 August 2010, the Board appointed a Compliance Officer.

The role of the Compliance Officer is to verify compliance by the Company and its officers and employees with the applicable legal and regulatory requirements (including the resolutions issued by ESCA and ADX), the Company's internal policies and procedures, and commitments made to third parties (including the Company's lenders and counterparties).

The Compliance Officer reports to the Chief executive Officer (CEO), but also is entitled to report directly to the Audit Committee/Board on key matters of non-compliance.

6. External Auditors

a. Appointment of External Auditors

The Company's External Auditor for the year 2010 is KPMG, and was appointed by a Shareholders' resolution at the Company's 2010 Annual General Assembly (held on 28 March 2010).

b. External Auditors' Independence

The Company adopts a policy on External Auditors' independence by which the External Auditor may not, while assuming the auditing of the Company's financial statements, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that, in the discretion of ESCA, may not be rendered by the External Auditor.

The Company's policy includes measures to ensure the External Auditors' independence, including the following:

- The Board nominates the External Auditor, generally upon the recommendation of the Audit Committee;
- The appointment of the External Auditor is made by a resolution of the Company's Annual General Assembly, for a period of one year renewable; and
- The External Auditor should be independent from the Company and its Board and may not be a partner, agent or a relative, even of the fourth degree, of any founder or Director of the Company.

Management obtains comfort on the independence of the appointed external audit firm through direct inquiry of the firm on the independence of the external audit engagement team.

c. External Auditors' Fees

The external audit fees of KPMG for the year 2010 amounted to AED 850,000, being for auditing services provided to Waha and certain of its subsidiaries.

7. General Information

a. ESCA Field Visit Program

ESCA conducted field visits to the Company during the year 2010, as part of its field visit/inspection program for listed companies. The field visits entailed meetings and discussion with Management, and provision of certain Company information by Management.

b. Top Twenty (20) Shareholders

The following lists the top twenty shareholders in Waha as at 31 December 2010, who together represent 57.01% of the Company's total equity.

#	Citizenship	Investor Name	Ownership %
1	UAE	Mubadala Development Company	15.14%
2	UAE	Hussain Jasim Naser Mohamed Al Nowais	7.57%
3	UAE	Abu Dhabi National Foodstuff Company	4.12%
4	UAE	Salem Abdullah Salem Al Husni	3.35%
5	UAE	Ahmad Ali Khalfan Rashem Al Motwaa Al Zaheri	3.28%
6	UAE	Al Dhabi Investment	2.45%
7	UAE	Abdullah Mahmoud Ahmad Al Kaysiya	1.92%
8	UAE	Shuaa Capital	1.86%
9	UAE	Ali & Sons Co. L.L.C.	1.80%
10	UAE	United Falcon Group L.L.C	1.74%
11	UAE	Ali Rasheed Naser Al Omaira	1.73%
12	UAE	Shimira Financial Investment L.L.C	1.71%
13	UAE	International Capital Trading L.L.C	1.59%
14	UAE	Al Wathba National Insurance Co. P.S.C	1.45%
15	UAE	Saeed Ahmed Omran Al Mazroui	1.45%
16	UAE	Sheikh Falah Bin Zayed Bin Sultan Al Nahyan	1.43%
17	UAE	Mohamed Ahmed Mohamed Ahmed Saeed Al Qasmi	1.26%
18	UAE	Abdullah Abbas Ismail Al Khouri	1.20%
19	UAE	Infinity TV FZ L.L.C	1.01%
20	UAE	Fatima Abdellah Rahma Al Owais Al Shamsi	0.95%

c. Corporate Governance Violations

For one Board meeting in 2010, the Company provided ESCA and the ADX with shorter notice of the meeting than was required under ESCA's regulations. The Company has strengthened its procedures in connection with this requirement, and will ensure that such a violation does not occur in future

Signed on behalf of Waha Capital PJSC by:



Hussain Al Nowais
Chairman of the Board