الواحة كابيتال
WAHA CAPITAL

# RESILIENCE AT OUR CORE

Annual Report 2018

# Financial Highlights

11.7bn
Total assets (AED)

814.3m
Total income (AED)

2.5bn
Total assets under management (AED)

145m
Net profit attributable to owners (AED)

4.2%
Return on average equity

0.08
Earnings per share (AED)

**Our Investments**

Waha Capital manages a diverse portfolio of investments. Assets include stakes in the world's largest aviation leasing company, a major MENA oil and gas services provider, industrial real estate at a strategic location in the UAE, and a fast-growing emerging markets fintech firm. The company also actively manages funds which are offered to third-party investors.

**Private Investments**

Waha Capital's Private Investments division holds the company's proprietary investments in diversified industries including aviation, maritime, financial institutions, healthcare, real estate and infrastructure.

Private Investments total income (AED): 71 percent of total income 51 percent of assets

581.7m

**Asset Management**

Waha Capital launched an asset management business that operates three funds invested in public markets. These funds are seeded with proprietary capital, and are offered to third-party investors.

Public markets total income (AED): 29 percent of total income; 47 percent of assets

232.6m

WAHA CAPITAL'S PRIMARY OBJECTIVE IS TO MAXIMISE RETURNS FOR ITS SHAREHOLDERS AND THIRD-PARTY INVESTORS IN ITS FUNDS.

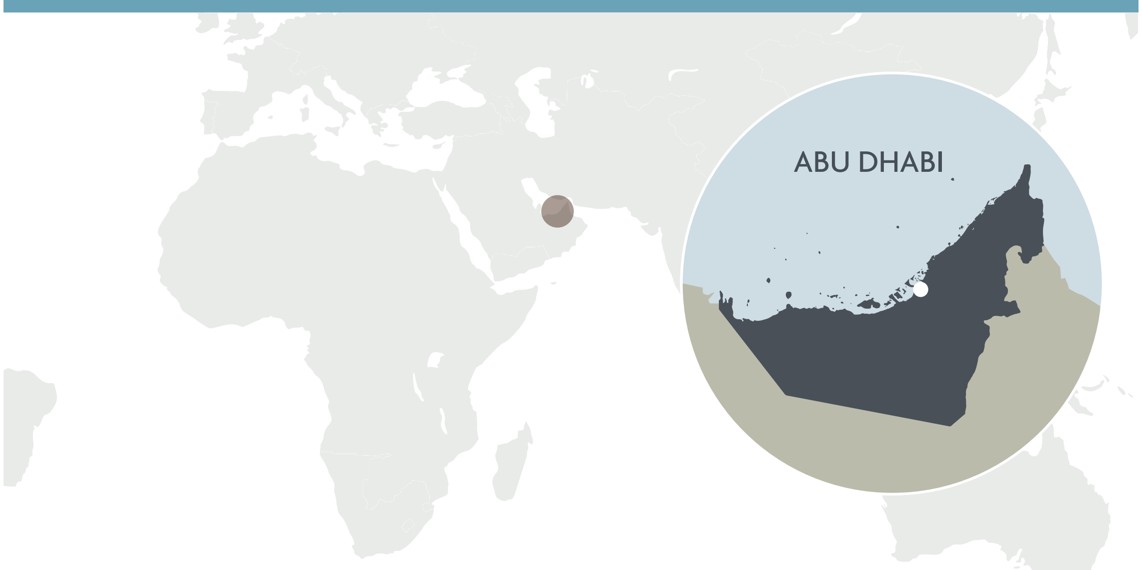
THE GROUP IS DIVIDED INTO TWO MAJOR DIVISIONS BASED ON ITS INVESTMENTS: PRIVATE INVESTMENTS AND ASSET MANAGEMENT.

BOTH ARE SUPPORTED BY FINANCE, HUMAN RESOURCES, INFORMATION TECHNOLOGY, LEGAL AND COMMUNICATIONS.

**Operations in 2018**

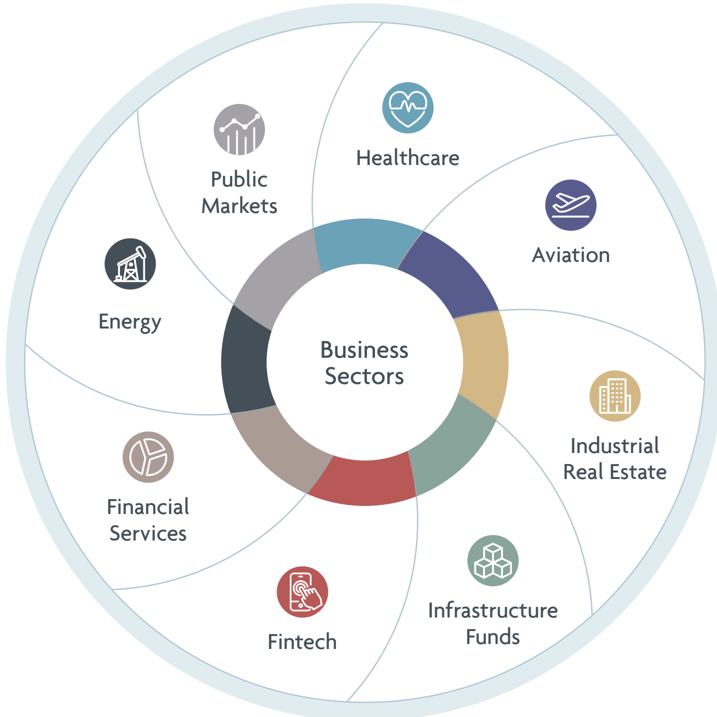
## Waha Capital produced another profitable year, despite a difficult operating and global markets environment. The company laid the foundations for future growth by investing in a highly innovative oil and gas services firm, Petronash, while also crystalising value creation and increasing liquidity through the sale of NPS into NASDAQ-listed NESR in a cash and share transaction.

- Established in 1997
- Headquartered in Abu Dhabi, UAE
- Diversified investments in direct assets and Public Markets
- Prominent shareholders, including Mubadala Investment Company
- Offering funds to third-party investors
- Waha Capital acquires significant minority stake in Petronash



**Our Business sectors**

The company has actively implemented a strategy of geographical and sectoral diversification, while ensuring a high degree of liquidity on the balance sheet. This has involved investing significantly in the company's own equities and credit funds, aligning interests closely with third-party investors, and pursuing liquidity events for companies in the Private Investments portfolio.

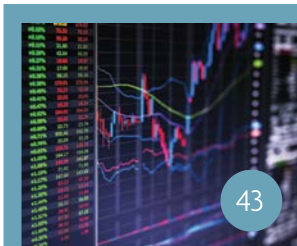




**ABOUT WAHA CAPITAL**


**PRIVATE INVESTMENTS**


**ASSET MANAGEMENT**

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## Waha Capital is an Abu Dhabi-listed investment company that offers shareholders and third-party investors exposure to high-potential opportunities in diversified asset classes.

The company currently manages assets across several sectors including aviation leasing, financial services, fintech, healthcare, energy, infrastructure, industrial real estate and Public markets.

Through its Private Investments unit, Waha Capital has established a strong investment track record in deploying capital across various sectors and geographies, actively managing a diverse portfolio and successfully monetising its investments.

Its Private Investments include stakes in the world's largest aviation leasing firm, AerCap Holdings N.V. listed on the New York Stock Exchange, emerging market fintech service provider Channel VAS, oil and gas services firms Petronash and NASDAQ-listed National Energy Services Reunited Corp, and light-industrial property developer Waha Land.

Waha Capital has also built a strong capability in managing global and regional credit and equity portfolios, which has enhanced the diversification and liquidity of the company's balance sheet.

Having established an excellent track record of outperformance, the company now offers attractive investment opportunities to third-party investors, through its Public markets funds, which include the Waha MENA Equities Fund and the Waha CEEMEA Credit Fund (previously named Waha CEEMEA Fixed Income Fund).

Established in 1997, Waha Capital has been consistently profitable – its investment teams are singularly focused on deploying capital efficiently, where they see they can add value, in order to deliver sustainable and attractive returns to shareholders and investment partners.

The management team has extensive experience operating in the regional market, with expertise honed at leading international blue-chip corporations and financial institutions. Waha Capital also benefits from a roster of prominent local shareholders that includes Mubadala Investment Company.

While Waha Capital manages investments globally, the company remains deeply rooted in Abu Dhabi's economy and operates at the centre of influential business networks in the United Arab Emirates and the wider Middle East region.

### OUR MILESTONES

**2008**

Co-founded and acquired 25 percent stake in Dunia Finance

Acquired a 49 percent stake in Stanford Marine Group (SMG)

**2009**

Acquired a 50 percent stake in AerVenture

Launched Waha Offshore Marine Services (WOMS)

Completed USD 1.2 billion Capital Raising Mandate

**2010**

Acquired a 20 percent stake in AerCap

Commenced construction on ALMARKAZ development project

## How We Run Our Business


Waha Capital deploys expert investment teams and global networks to create significant value for shareholders and third-party investors.

### 2011

Arranged a USD 505 million term and revolving credit facility

Completed AED 1.9 billion Capital Raising Mandate

### 2012

Increased stake in AerCap to 26.3 percent

Completed first phase of ALMARKAZ light industrial real estate development

### 2013

Launch of new Waha Capital Brand

Investment in Healthcare through Anglo Arabian Healthcare (AAH)

Completed the construction of 90,000 $m^2$ of industrial units at ALMARKAZ

### 2014

Sold 3 million shares in AerCap and completed two hedging and financing transactions on remaining shares (26.8 million shares)

Acquisition of a 20.56 percent stake in National Petroleum Services (NPS)

Secured new USD 750 million credit facility with 13 local and international banks

Disposed of stake in AerLift

### 2015

Achieved full occupancy in ALMARKAZ existing industrial units

Execution of share buyback programme of 4.84 percent of share capital

Launch of Waha Capital Asset Management

### 2016

Extended AerCap collar hedges on 22.9 million shares with progressive maturities over 2018-2020

Concluded share buyback programme for total funds of AED 267.2 million

Secured new USD 500 million revolving credit facilities

Waha Land signed AED 426 million financing deal and began Stage 2 of the ALMARKAZ development

### 2017

Divested Proficiency Healthcare Diagnostics (PHD) to Al Borg Medical Laboratories

Acquired a significant minority stake in Dubai fintech firm Channel VAS

### 2018

**Acquired significant minority stake in Petronash, a leading provider of products and services to the oil and gas industry**

Waha Capital, along with co-investors, acquired 35 percent stake in Dubai-based Petronash, for a total equity value of AED 1.3 billion with option to acquire up-to 50 percent.

**Acquired 5.8 percent stake in National Energy Services Reunited (NESR) Corp.**

Completed divestment of stake in National Petroleum Services for cash and equity in NASDAQ-listed National Energy Services Reunited (NESR) Corp.

The board of the company remains positive on Waha Capital's outlook due to the proactive measures that are being taken to position the company for growth, and the excellent track record of value creation.

# Positioned to deliver attractive returns

**Dear Shareholders,**

I am pleased to share with you the Waha Capital 2018 financial results, which marks another profitable year for our business despite regional and global challenges that have affected the investment sector as a whole.

Waha Capital has weathered macro-economic and market challenges, including escalating international trade conflicts, volatile capital markets and moderating global growth rates, and the company is well positioned for continued growth.

The company has recorded a net profit of AED 145 million, which is a decrease on the previous year due to difficult capital markets conditions, which have impacted the valuation of listed direct investments, in particular AerCap Holdings N.V., as well as other securities held by the company.

The board of the company remains positive on Waha Capital's outlook due to the proactive measures that are being taken to position the company for growth, and the excellent track record of value creation.

Over the last 13 years, Waha Capital made AED 4.7 billion in total net profit – with an average return on equity over of 12 percent – and the company paid out AED 2.4 billion in dividends in that time.

Looking ahead, we are optimistic for what the future holds. We benefit from being well-situated in Abu Dhabi, a dynamic hub for business, which continues to modernise and diversify.

Already an emerging financial services hub, the Emirate took steps in this past year to encourage greater business activity.

This was most evident in the Government of Abu Dhabi's AED 50 billion stimulus plan announced in 2018, which aims to stimulate commercial activity and promote development of the private sector. The IMF predicts Abu Dhabi's GDP will grow by 3.4 percent in 2019, and the UAE's will grow by 3.7 percent.

While regional and global challenges certainly lie ahead in 2019, I am confident that the company is well positioned to deliver attractive returns through economic and business cycles. Our Private Investments and Asset Management businesses are resilient, are clear on their path to further growth and have an excellent track record of delivering on strategy.

On behalf of Waha Capital's board, management and employees, I would like to extend my sincere loyalty and gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE; and His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces, and Chairman of Abu Dhabi Executive Council. We are grateful for your vision, leadership and ambition for our nation as we move forward.

I would also like to take this opportunity to commend the hard work and commitment of Waha Capital's employees, senior management, and board of directors.

**Salem Rashid Al Noaimi**
Chairman

# Focused on long-term value creation

**In 2018, tough market conditions had a temporary impact on financial performance, but Waha Capital has remained resilient and focused on long-term value creation.**

The company reported a net profit of AED 145 million, lower than the previous year. However, I firmly believe that the company's direction of travel is correct. Income is well diversified across our Private Investments and Asset Management businesses, our balance sheet is increasingly liquid, we are collecting third-party assets into our funds, and we are investing in growth companies.

In the last year, assets under management in our funds increased by nearly 19 percent in 2018 to over USD 700 million. And against a very difficult backdrop of volatile global securities markets, especially in the second half of the year, our funds continued to deliver positive returns, building on an excellent track record of outperformance.

Our flagship funds, the Waha CEEMEA Credit Fund and the Waha MENA Equities Fund, produced total returns of 6.1 percent and 9.4 percent respectively, significantly outperforming a negative 16.5 percent return by the MSCI Emerging Markets Index in 2018.

The Asset Management business has set ambitious targets for increasing AUM, and it is making good progress in marketing to large institutional investors, particularly in North America and the MENA region.

Our strategy is to continue to build the business by adding to our talented team and widening our product offering to third-party investors, while maintaining our outstanding levels of fund performance.

On the Private Investments side of the business, Waha Capital continues to create value by building a portfolio that will deliver attractive returns in the years ahead.

In 2018, the headline financial performance of the business was impacted by issues of a short-term nature, notably volatility in the share price of New York-listed AerCap Holdings N.V. to an extent that the company traded at one point close to a 30 percent discount to book value.

However, across the broader Private Investments portfolio, there were many positive developments.

Waha Capital generated strong returns through the transaction that injected the company's stake in National Petroleum Services into NASDAQ-listed National Energy Services Reunited (NESR). As the first MENA energy asset to be listed in New York, this was a landmark deal that added further liquidity to Waha Capital's investment portfolio.

Meanwhile, our investment in Channel VAS is progressing well, with the fintech firm continuing to grow at pace, sealing major contract wins across its core business and launching an app-based micro-finance business in Africa.

The Petronash minority share acquisition sealed in the second half of 2018, was a further example of Waha Capital's capacity for intelligent deal making and structuring. The USD 88 million transaction included options to further increase our stake to 50 percent, while giving Waha Capital control in one of one of the most innovative firms in the oil and gas services industry.

Our investment is already starting to pay off through a significant contribution to Waha Capital's financial performance.

The Private Investments team is making excellent progress in implementing our focused investment strategy, and maximising the liquidity in our portfolio. The company is primed to take advantage of our sectoral expertise and deal sourcing capability, particularly in the energy and financial services sectors.

The coming year will no doubt bring global macro-economic challenges, and I am deeply confident that Waha Capital has the financial strength, corporate strategy and talent to remain successfully protect and create additional shareholder value.

I would like to take this opportunity to express my appreciation to all my colleagues for their commitment to delivering excellence in the work place, and to the board of directors for their valued guidance.

In particular, I would like to thank Waha Capital's Chairman, Salem Rashid Al Noaimi, for his active support. As CEO until early 2018, Salem drove the company's transformation and growth over many years, leaving a legacy of strength, resilience and dynamism.

**Michael Raynes**
Chief Executive Officer

Our strategy is to continue to build the business by adding to our talented team and widening our product offering to third-party investors, while maintaining our outstanding levels of fund performance.

# PRIVATE INVESTMENTS

## OVERVIEW

**The Private Investments business holds Waha Capital's direct investments in diverse sectors, including aviation leasing, energy, financial services, fintech, industrial real estate and infrastructure.**

The business has a long-term investment horizon, with a preference for joint control or significant minority stakes in stable, cash-generating businesses with world-class management. It focuses on achieving a stable return on equity and cash yield, targeting investments in profitable dividend-paying assets.

The Private Investments team brings together highly skilled asset managers as well as investment professionals who have a proven track record of deal origination, execution, asset management and exits in emerging and developed markets.

Waha Capital's Private Investments division reported a total income of AED 581.7 million in 2018.

**Aviation**

### AERCAP HOLDINGS N.V.

Retains 12 percent in AerCap Holdings NV, the world's leading aircraft leasing company, listed on the NYSE.

**Energy**

### NATIONAL ENERGY SERVICES REUNITED (NESR) CORP

Retains a 5.8 percent stake in NASDAQ-listed NESR Corp, a provider of oilfield services in the Middle East.

**Energy**

### PETRONASH HOLDINGS

Retains 31.5 percent stake in a UAE based Petronash, a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry.

**Fintech**

### CHANNEL VAS

Retains a 20 percent stake in a fintech firm Channel VAS, which is present in over 25 countries, across 4 continents and has grown rapidly to provide over USD 1.5 billion in nano loans in 2018.

581.7m
Total income (AED)

71%
Contribution to total income

185.5m
Net profit (AED)

51%
Proportion of total assets

## Energy

### SDX ENERGY

Retains 19.5 percent stake in SDX Energy, a company engaged in the exploration and production of oil and gas, predominantly in North Africa region.

## Industrial Real Estate

### WAHA LAND

Actively investing in ALMARKAZ, a 6 km² integrated mixed-use industrial development with Grade "A" industrial and logistics facilities and first-class infrastructure in Abu Dhabi.

## Infrastructure

### MENA INFRASTRUCTURE FUND

MENA Infrastructure Fund has invested USD 223.6 million in four projects across MENA out of a total capital commitment of AED 1.1 billion (USD 300 million).

## Healthcare

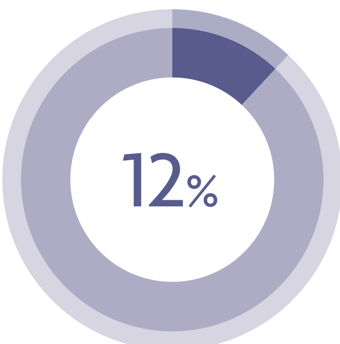
### ANGLO ARABIAN HEALTHCARE

Retains 95 percent stake in a UAE healthcare provider, Anglo Arabian Healthcare (AAH), that focuses on owning and operating hospitals, clinics and pharmacies.

# AERCAP HOLDINGS N.V.

AerCap is the global leader in aviation leasing and aviation finance, serving approximately 200 of the world's leading airlines across approximately 80 countries.

Waha Capital ownership is approximately 12 percent of the share capital.




10bn

Available liquidity (USD)

436

Aircraft transactions executed in 2018

**AerCap Holdings N.V. is the world's leading aircraft leasing company, with 200 customers in over 80 countries. The company acquires aircraft from manufacturers, airline operators, other aircraft-leasing companies and financial investors to lease to commercial airlines and cargo operators. AerCap has a portfolio consisting of 1,421 aircraft that were owned, on order or managed.**

Listed on the New York Stock Exchange since 2006, the company generates stable income streams due to its scale and profile in the industry. The company also benefits from investment-grade ratings from Fitch, Standard & Poor's, and Moody's.

In 2018, the company continued to focus on elective and disciplined growth and on optimising its portfolio of aircraft, while pursuing a conservative, long-term and robust funding structure with diversified sources of capital.

During the year, Waha Capital disposed 9.72 million shares equivalent to 6.36 percent stake in AerCap for a consideration of AED 1,918.1 million. Consequently, the Group's stake in AerCap reduced from 17.55 percent to 11.19 percent.

Further, during the year, AerCap carried out a share buyback programme, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 11.19 percent to 12 percent.

Waha Capital continues to retain two seats on AerCap's board of directors, as well as representations on the various board sub-committees.

**Highlights:**
The key highlights of AerCap for the year end 31 December 2018 were as follows:

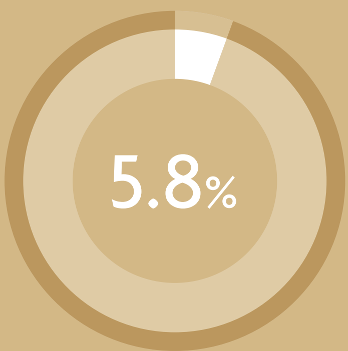
- 436 aircraft transactions executed, as follows:
  - Signed lease agreements for 257 aircraft
  - Purchased 76 aircraft
  - Executed sale transactions for 103 aircraft
- More than 98 percent fleet utilisation rate
- USD 10 billion of available liquidity
- Adjusted debt/equity ratio of 2.86 to 1
- Repurchased 13.9 million shares for USD 728 million in 2018
- Approximately 95 percent of lease rents through 2021 already contracted

Private Investments

# NATIONAL ENERGY SERVICES REUNITED (NESR) CORP

NESR is the first and only NASDAQ-listed national oilfield services company in the MENA region.

Through this transaction Waha Capital recognised a 5.8 percent equity stake in NESR.




304.7m

Revenue for 9M (USD)

191.2m

Carrying value of the investments as at 31 December 2018 (AED)

**In 2018, Waha Capital injected its stake in UAE-based NPS Holdings Ltd. (NPS) into NASDAQ-listed National Energy Services Reunited (NESR) Corp in a cash and shares transaction that further increased the liquidity of the Private Investments portfolio.**

As part of the transaction, NESR also acquired Oman-based Gulf Energy SAOC, forming the first NASDAQ-listed oilfield services firm in the Middle East and North Africa region.

During 2018, Waha Capital recognised a gain on disposal of AED 109.4 million and a total consideration of AED 329.7 million, comprising a cash consideration of AED 130.6 million, 5.8 percent equity stake in NESR and earn-out shares receivable of AED 17.3 million. Waha Capital currently retains one seat on the board of NESR.

The formation of NESR Corp as an operating entity was completed in June 2018, after the transaction was approved by the Securities and Exchange Commission in the United States and NESR shareholders.

On June 6th 2018, NESR Corp. consummated the 100 percent acquisition of: a) NPS Holdings Limited ("NPS") for a gross consideration of c. USD 591 million and b) Gulf Energy S.A.O.C. ("GES") for a gross consideration of c. USD 289 million – aggregating total consideration of c. USD 880 million.

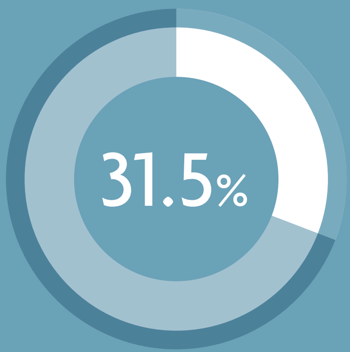
Highlights:

- Revenue of USD 304.7 million for 9M 2018
- Reported EBITDA of USD 47.4 million and net income of USD 12.4 million (9M 2018)
- Cash flows of USD 35.3 million generated from operating activities and cash flows of USD 64.7 million utilised in investing activities (9M 2018)
- Reported a net book value of property, plant and equipment of USD 304.7 million (9M 2018)
- Carrying value of the investment is AED 191.2 million as at 31 December 2018

# PETRONASH HOLDINGS

Petronash is a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry.

Waha Capital acquired 31.5 percent stake in Petronash. The deal includes options to further increase Waha Capital's stake in Petronash up to 50 percent.




663.1m
Revenue (AED)

433.7m
Carrying value of investments (AED)

**Waha Capital, along with co-investors, acquired 35 percent stake in Dubai-based Petronash, for a total equity value of AED 1.3 billion. In addition, the group acquired additional rights in the form of options and warrants, pursuant to which the Group can increase its ownership up to 50 percent in Petronash.**

Petronash is a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry. The company delivers services across the whole spectrum of oil and gas production and refining in 35 countries across four continents. Petronash employs approximately 1,000 people worldwide, including more than 200 engineers and R&D personnel. It has manufacturing facilities in Dubai and Dammam, a centralised engineering hub in India, and is creating research and development centres in Chennai and Dhahran that will drive further innovation to expand service and product lines and widen the customer base.

Highlights:

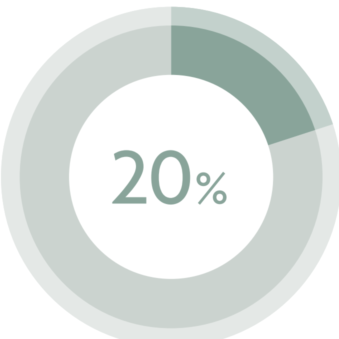
- Revenue of AED 663.1 million compared to AED 518.5 million in 2017
- EBITDA of AED 215.2 million compared to AED 154.9 million in 2017
- Carrying value of the investment is AED 433.7 million as at 31 December 2018
- Leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry.
- Provides support throughout the product life cycle starting from the early project stage up to commissioning and warranty support.
- Dubai and Dammam facilities feature technology, equipment and tools, that enable manufacturing, assembling and testing modular systems, chemical injection skids and wellhead control panels.
- Engineering facility was set up in 2010, spread over 10,000 sq. ft. and located Chennai, India; to cater the engineering and back office support requirements of global offices.

Private Investments

# CHANNEL VAS

## Channel VAS currently has access to over 650 million mobile subscribers.

Waha Capital acquired a 20 percent stake in Dubai-based fintech firm Channel VAS.

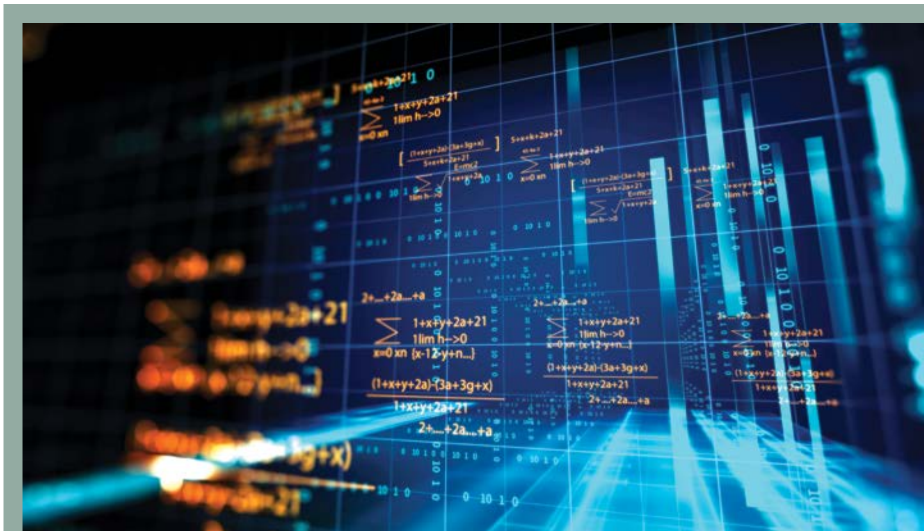



209.9m

Revenue (AED)

93.4m

Dividend paid (AED)



**Waha Capital acquired a 20 percent stake in Channel VAS – a Dubai-based fintech provider of airtime credit services, mobile financial services, handset loans and micro cash loans.**

Through its partnerships, the Company is present in over 25 countries, across 4 continents and has grown rapidly to provide over USD 1.5 billion in nano loans in the fiscal year 2018, compared to USD 871 million in 2017.

With existing access to over 650 million mobile subscribers for the airtime credit service product, the company sees significant growth potential in what is estimated to be a USD 69 billion airtime credit market.

The company is also actively growing its mobile financial services line of business that presents a large untapped opportunity in the geographies it currently operates in. The mobile financial services product suite includes micro cash loans and hand set finance loans.

Select list of customers include MTN, Vodacom, Viettel, Lycamobile, Millicom, Mcel, Umniah, Mobily, Mobilink, and others.

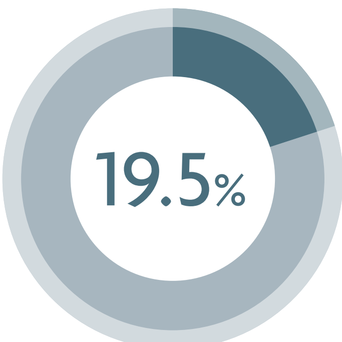
Highlights:

- Revenue of AED 209.9 million in 2018, compared to AED 171.5 million in 2017
- Paid a dividend of AED 93.4 million in 2018, compared to AED 53 million in 2017
- Carrying value of Channel VAS was AED 188.3 million as at 31 December 2018

# SDX ENERGY

## SDX Energy is engaged in oil and gas exploration and production.

Waha Capital owns a 19.5 percent stake in SDX Energy.




**39.8m**

Revenue 9M 2018 (USD)

**31.1m**

Gross profit 9M 2018 (USD)

**SDX Energy is a company that is engaged in the oil and gas exploration and production, predominantly in the North Africa region. It currently has a focus on sites in Egypt and Morocco.**

The company was established in October 2015 through the merger of Toronto Stock Exchange-listed Sea Dragon Energy and privately-owned Madison PetroGas. In 2016, the company successfully obtained a dual-listing on the Alternative Investment Market (AIM) of the London Stock Exchange, raising USD 11 million in the process.

The operating environment in North Africa continues to present considerable opportunities for the firm, in which Waha Capital owns a 19.5 percent stake.

SDX Energy benefits from a portfolio of high margin producing assets, combined with high impact exploration prospects in Egypt and Morocco.

The company intends to increase production and cash flow generation organically, through a fully funded and active work programme consisting of improvements made to existing fields and the development of new discovered resources. During 2019, the company plans to drill a series of high impact exploration and development wells across the portfolio, with the delivery of the South Disouq gas development expected by the end of H1 2019.

Highlights:

- Production of 3,455 boe/d (9M 2018) compared to 3,280 boe/d for the corresponding period in 2017
- Net realised average oil price of USD 63.69/barrel (9M 2018) compared to USD 44.20/barrel for the corresponding period in 2017
- Net realised average Morocco gas price of USD 10.52/mcf (9M 2018) compared to USD 9.43/mcf for the corresponding period in 2017
- Revenue of USD 39.8 million (9M 2018), compared to USD 28.2 million for the corresponding period in 2017
- Gross profit of USD 31.1 million (9M 2018), compared to USD 20.4 million for the corresponding period in 2017
- Cash flow from operations of USD 22.7 million (9M 2018), compared to USD 10 million for the corresponding period in 2017
- Invested USD 35.7 million into capital expenditure (9M 2018), compared to USD 5.7 million for the corresponding period in 2017
- The carrying value of SDX Energy was AED 66.3 million as at 31 December 2018

Private Investments

# WAHA LAND

The project is located in Al Dhafra, approximately 35 km from central Abu Dhabi.

Waha Capital holds a 100 percent stake in Waha Land – ALMARKAZ.

100%

32.7m

Total revenue (AED)

753.6m

Carrying value of investment property (AED)

**Waha Land was established as a wholly-owned subsidiary of Waha Capital to construct and manage master developments in Abu Dhabi including infrastructure, mixed use industrial warehousing and logistics projects.**

Most notably, the company is currently engaged in developing ALMARKAZ, an integrated mixed-use industrial development with Grade “A” industrial and logistics facilities and first-class infrastructure. The project is located in Al Dhafra, approximately 35 km from central Abu Dhabi, and is well located to access the multi-modal industrial and logistics infrastructure (land, sea, air, and future rail) of the UAE. The ALMARKAZ development is on a 6 $km^2$ area of land, which was granted by the Government of Abu Dhabi.

Phase 1 of the project occupies 25 percent of the total land area (1.5 $km^2$). Stage 1 of Phase 1 involved the construction of roads and services infrastructure for the 1.5 $km^2$ of land and 90,000 $m^2$ of small industrial units SIUs. The SIU’s are fully leased out with a range of tenants from diverse industry segments in the SME space such as plastics, paper manufacturing, steel works, food and beverage preparation, oil and gas, defence and logistics.

Phase 2a for the SIUs was completed in 2018, occupying 92,500 $m^2$ of total land area, and has already seen an influx of tenants moving in to commence operations from the units.

Looking ahead, the company is focused on growing and diversifying its tenant base, developing new products and services for its existing and prospective tenants, and providing exceptional services with the ultimate aim of meeting the needs of UAE SMEs as well as manufacturing and logistics players.

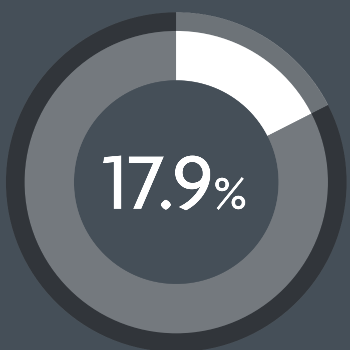
### Highlights:

- Construction of Stage 2a SIUs is complete (92,500 $m^2$), with initial batch of tenants moving in and commencing operations from the units
- Rental revenue and other income of AED 32.7 million a decrease of AED 4.9 million from the AED 37.6 million recorded in 2017
- Carrying value of investment property of AED 753.6 million

# MENA INFRASTRUCTURE FUND

MENA Infrastructure Fund is recognised as one of the best performing infrastructure funds in the region.

Waha Capital holds a 17.9 percent stake as LP of MENA Infrastructure Fund.




167m

Waha Capital's investment (AED)

162.2m

Distribution to Waha Capital since inception (AED)

**MENA Infrastructure Fund was launched in 2007 as a private equity fund that invests in infrastructure development projects across MENA with a total capital commitment of AED 1.1 billion (USD 300 million) from its Limited Partners (LP).**

The fund has invested USD 223.6 million in four projects, and has exited two of these investments. It currently holds two assets:

a) Qurayyah Independent Power Project (IPP): Owns and operates a 3.9 GW gas-fired IPP in Saudi Arabia in partnership with ACWA Power and Samsung C&T. The fund's ownership in the project is 15 percent.

b) Sohar Power Company: Owns and operates a 585 MW of combined-cycle gas-fired power generation and 150,000 m³ of water desalination plant in Oman. The fund's ownership in the project is 20 percent.

Waha Capital invested AED 167 million (USD 45.5 million) for its limited partnership stake of 17.9 percent and general partnership stake of 33.3 percent, and has received AED 162.2 million in distributions. The fund delivers a dividend yield of approximately 5.6 percent.

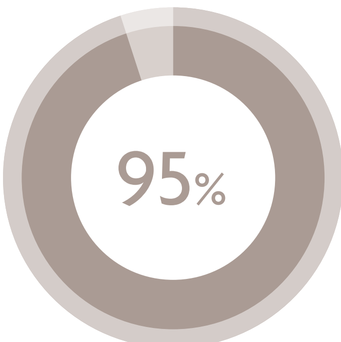
Highlights:

- Currently manages USD 300 million infrastructure fund
- Successfully exited two assets and actively working on divesting the remaining two assets
- Carrying value of the investment (LP) is AED 52 million

# ANGLO ARABIAN HEALTHCARE

Anglo Arabian Healthcare employs more than 900 people and serves over 800,000 registered outpatients.

Waha Capital owns a 95 percent stake in a UAE healthcare provider, Anglo Arabian Healthcare (AAH).




261.3m

Consolidated revenue (AED)

191.4

Carrying value (AED)

**Waha Capital owns a 95 percent stake in Anglo Arabian Healthcare (AAH), a UAE healthcare provider which focuses on owning and operating a hospital, and a network of clinics and pharmacies. The group was established to deliver healthcare services throughout the UAE, and today is one of the largest healthcare provider networks in the country.**

AAH currently owns and operates 30 business assets, employs more than 900 people and serves over 800,000 registered outpatients.

Operating assets consist of one hospital, 20 clinics, seven pharmacies, one diagnostics centre and one medical education provider. The hospital, based in the emirate of Ajman, was a significant milestone in the development of AAH, providing inpatient capacity of approximately 10,000 per annum.

The company employs a 'buy and build' strategy, supplementing acquisitions with strategic greenfield projects to ensure optimal patient flows and service coverage. This strategy includes pursuing an opportunistic mix of greenfield projects and acquisitions, and implementing a hub-and-spoke model across primary care, secondary care and diagnostics to retain patient revenue within the group.

Brands within the Anglo Arabian Healthcare network include Amina Hospital, Ibin Sina Medical Centre, HealthBay, Sharjah Corniche Medical Center, Oras Medical Centre and Orchid IVF Center.

AAH is well-positioned to capitalise on the evolving regulatory trends in recent years in the UAE, including the introduction of mandatory insurance, and increased demand for specialty services.

Highlights:

- Consolidated revenue of AED 261.3 million, a 12.2 percent decrease from AED 297.5 million recorded in 2017, mainly due to the disposal of PHD in December 2017
- Shareholders' equity base attributable to owners of AED 200 million as at 31 December 2018 compared to AED 364.4 million as at 31 December 2017
- AAH had a carrying value of AED 191.4 million as of end of 2018.

# ASSET MANAGEMENT

## OVERVIEW

**Waha Capital's Asset Management business develops and manages emerging markets-focused investment funds for third-party investors, while its investment of seed capital ensures interests are fully aligned.**

With over AED 2.5 billion of assets under management, the business actively marketed three flagship funds to investors in 2018: Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed Income Fund), Waha MENA Equity Fund SP and MENA Value Fund SP.

The funds have built a multi-year track record of impressive outperformance, providing a strong platform for the growth of the Asset Management business. The company's strategy is to broaden its product offering and to market the funds to institutional investors, particularly in the MENA region and North America.

The funds are managed by Waha Investment PrJSC, which is licensed by the Securities & Commodities Authority. The Funds are domiciled in the Cayman Islands and regulated and supervised by the Cayman Islands Monetary Authority, with HSBC Bank Middle East Limited acting as fund administrator and global custodian for the underlying assets.

**232.6m**
Total income from Public Funds and Private Transactions (AED)

**165m**
Net profit of Public Markets (AED)

**2.5m**
Total Assets managed by Public Markets (AED)

**27%**
Contribution to Waha Capital's total income from Public Markets

**Asset manager domicile:**
United Arab Emirates

**Asset manager:**
Waha Investment PrJSC

**Asset manager regulator:**
Securities & Commodities Authority

**Fund domicile:**
Cayman Islands

**Fund regulator:**
Cayman Islands Monetary Authority

**Fund administrator and asset custodian:**
HSBC Bank Middle East Ltd.


The Asset Management division manages three funds that invests in public markets: Waha CEEMEA Credit Fund SP, Waha MENA Equity Fund SP and Waha MENA Value Fund SP.

# PUBLIC MARKETS

The Public Markets business of Waha Capital is a key contributor to the company's diversified asset mix and comprises investments primarily in Public Capital Markets.

**Waha Capital's Public Markets business continued to develop in 2018, with progress made in attracting third-party investors.**

The business continues to make an important contribution to Waha Capital's financial performance.

In 2018, global capital markets displayed heightened volatility due to many factors, including simmering trade tensions between the United States and China, uncertainty over the United Kingdom's exit from the European Union, and the continued tightening of global financial conditions through Fed Policy.

Against this backdrop, Waha Capital's portfolio managers sought to protect capital, while seeking opportunities to deliver outperformance.

The Waha CEEMEA Credit Fund SP produced a total gross return of 6.1 percent in 2018, the Waha MENA Equity Fund SP delivered a total gross return of 9.4 percent during 2018 and the Waha MENA Value Fund SP returned -2 percent during 2018.

The Public Markets team has developed a solid track record of outperformance over more than eight years investing in emerging market credit, with a particular focus on Central and Eastern Europe, the Middle East and Africa (CEEMEA), and equities in the Middle East and North Africa (MENA) region.

The team brings together a highly skilled investment team lead by Mohamed El Jamal and risk professionals lead by Chakib Aabouche, who have a proven track record in both emerging and developed capital markets. A rigorous risk management process is followed in order to minimise risk and maximise returns in the managed portfolios.

Asset Management

# OPERATIONS IN 2018

136.8%

Waha CEEMEA Credit Fund total gross return since inception in 2012

121.4%

Waha MENA Equity Fund total gross return since inception in 2014

24.2%

Waha MENA Value Fund total gross return since inception in 2015

**Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed Income Fund SP)**

The open-ended Waha CEEMEA Credit Fund SP produced a total return of 6.1 percent attributable to shareholders in 2018. The fund has given a total return since inception in 2012 of 136.8 percent. The fund primarily invests in hard currency fixed income instruments from Emerging Market corporate and sovereign credits in the CEEMEA region. The fund employs a Long/Short strategy combining macro research and bottom up analysis with a valuation overlay to create a portfolio of relative value trades. Investment themes and opportunities are identified primarily through both macroeconomic analysis at the global, regional and sovereign level. This is complemented with a rigorous in-house risk governance framework, adopted to minimise risk and maximise returns.

**Waha MENA Equity Fund SP**

The Waha MENA Equity Fund SP gave a total return of 9.4 percent attributable to shareholders in 2018, bringing the total return of the portfolio since inception in 2014 to 121.4 percent. The fund invests in a diversified portfolio of companies spread across the MENA regional equity markets; it follows an absolute return strategy employing a fundamental bottom up approach with a macro and technical overlay. The fund has a long bias but has the ability to implement shorts to generate alpha. The security selection exercise involves in-house fundamental research and a rigorous risk governance framework, leverage of sell-side research, and relationships with companies in MENA in order to develop internal views on value and/or growth prospects for a particular equity security.

**Waha MENA Value Fund SP**

The Waha MENA Value Fund SP produced a return of -2 percent attributable to shareholders in 2018 and 24.2 percent since inception in 2015. It seeks long-term capital appreciation with an estimated holding period of three years. Stocks are picked through carefully and diligently selected investment ideas across MENA that fit into the Value Investment Philosophy of the fund. Stocks are selected based on five investment criteria designed to maximise upside potential while minimising downside risk:

i) Quality and sustainability of the business;

ii) Effective capital allocation;

iii) Balance sheet strength;

iv) Management quality and alignment of interest; and

v) Margin of safety.

## Our Guiding Principles

At the heart of the organisation's brand is its guiding principle: 'Collaborate. Excel. Deliver.' This principle lies behind the company's approach to its business, which allows Waha Capital to make clear, concise and confident decisions.


**Our Vision**

Our aim is to be the premier investment company in the Middle East, setting the highest standards in investment expertise, professionalism and corporate governance.

**Our Mission**

- To build and maintain long-term shareholder value
- To promote sound financial management
- To provide quality financial products and services
- To foster a culture that attracts, empowers and rewards

**Our Promise**

We promise professionalism, clarity and to act in the interests of our shareholders and other stakeholders. We foster a corporate culture that attracts, empowers and rewards high-calibre employees and incentivises them to provide high-quality and competitive services.

**Our Values**

We have a passion for delivering excellence with integrity in our day-to-day work, showing respect to business partners and peers, and communicating transparently and directly to all stakeholders.

**We adhere to the following shared values:**

Passion
Passion is the burning force that keeps us going no matter what happens. We have self-confidence and a firm belief in abilities.

Respect
We respect all people and the free exchange of ideas.

Integrity
We work in an open, honest, ethical, courteous and caring way.

Directness
We are direct and to the point, conveying information in a manner that is easily understood by all. We make dealing with us and our products and services as easy as possible.

Excellence
We are committed to achieving the highest standards in everything we do.

## Community Development

### While Waha Capital is actively participating in the economic diversification of the UAE through its investments and business development, the company is also active in promoting societal progress through its corporate social responsibility (CSR) programme.

The company's CSR initiatives in the UAE are currently focused on humanitarian aid and the promotion of science and environmental education that support the country's strategy for economic diversification.

During 2018, Waha Capital collaborated with "Abu Dhabi Music & Arts Foundation" (ADMAF), the UAE's leading celebration of arts & culture. Specifically, Waha Capital supported the "Music in Hospitals" initiative that aims at integrating music in order to aid patient recovery and to lessen the distress of being in a hospital for a long duration.

In the spirit of the holy month of Ramadan, Waha Capital has a proud record of supporting good causes. In 2018, we upheld that spirit of giving by sponsoring an initiative by the "Saeed Association", which is affiliated with the Abu Dhabi traffic police. "Saeed" organised the "Zayed Humanitarian Day" charity event for the determined ones, orphans, cancer patients and children with special needs to mark the "Year of Zayed".

In response to the increasing need for medical emergency cases and blood disorders, Waha Capital in collaboration with the "Abu Dhabi Blood Bank" organised a Blood Donation Drive that was considered one of the most successful initiatives according to the organisers.

Waha Capital was also proud to contribute AED 3.5 million in 2018 to "Sandooq Al Watan", a fund that supports social development, R&D, and investment in the next generation of UAE talent. Waha Capital also contributed AED 2 million in 2018 to "the Official Fund of talented Athletes in the UAE", a fund that was created to provide support to very talented and promising Emirati athletes.

#### Contributing to the community

- Support ADMAF by sponsoring the "Music in Hospital" initiative.
- In collaboration with "Saeed Association" Waha Captial sponsored the "Zayed Humanitarian Day" charity event.
- Partnership with "Abu Dhabi Blood Bank" organised a Blood Donation Drive.


Zayed Humanitarian Day

Abu Dhabi Blood Bank


Abu Dhabi Music & Arts Foundation

We employ a highly disciplined approach to risk management in order to ensure that we are executing according to our strategic objectives and are able to identify and manage the risks associated with our business. We are committed to continually improving our risk management framework, capabilities, and culture across the Company so as to ensure the long-term growth and sustainability of our business.

**The annual and on-going elements of the risk management process have been formalised, including the risk identification, assessment and monitoring processes. We place a strong emphasis on embedding a prolific culture of risk management through all aspects of our business.**

### Risk Management at Waha Capital

Risk management is an integral part of our operations and permeates through every level of the organisation, in order to support and sustain the primary objective of creating long-term shareholder value by leveraging our expertise in managing investments, which necessarily involves undertaking financial risk. The Board establishes the control environment, sets the risk appetite, and approves policies and delegates responsibilities under the company's risk management framework.

### How Risk Management fits into the Waha Capital organisation

Our approach to the risk management process comprises of the following key components:

- Identification and assessment of risk
- Measurement of risk
- Control of risk
- Monitoring and reporting of risk

Waha Capital strongly believes in a disciplined approach to managing risk and has actively fostered an organisation-wide culture of prudent risk management.

All risk management reviews, decisions and actions are based on an approved enterprise-wide risk management strategy framework supported by:

- a documented risk management policy
- a comprehensive set of policies and procedures
- a risk governance structure incorporating sufficient built-in challenges, checks and balances

Ultimate responsibility for setting risk appetite and the effective management of risk rests with the Board. This is managed through a number of senior executive committees, primarily the Investment Committee and the Risk Committee, which ensure that risk taking authority and policies are cascaded down from the Board to the appropriate business units.

### Risk Management framework at Waha Capital

In order to support and sustain a strong culture of risk management, we have developed a robust risk framework that effectively supports appropriate risk awareness, behaviours and sound risk-based decision making. Our risk management framework recognises that the long-term success of our company is contingent on our ability to effectively understand, accept and manage risk within our business.

Our risk management framework includes:

- a risk management policy which is communicated throughout the company and reviewed annually
- a standard set of key risk areas, categories and definitions
- a standardised and automated risk assessment and reporting tool, including standard risk assessment criteria, and the determination of our risk appetite
- consolidation of risk assessments for each business at the company level to identify organisation-wide impacts and trends, which applies across our Public Markets and Private Investments businesses
- a periodic risk assessment, action planning and reporting cycle, which includes a review of current and emerging risks and their mitigation by the Board, Investment Committee and the Risk Committee
- reporting to the Board on any matters which have arisen from the review of risk management and internal control processes and any exceptions to these processes

Roles and responsibilities for risk management within Public Markets and Private Investments are clearly defined at each level – the Investment Committee, the Risk Committee and Risk Management departments. The Investment Committee approves investments and reviews periodic investment activity reports. These reports summarise all investment activity, clearly illustrate investment portfolio risk and return, evaluate compliance with the investment policy and all risk limits, and list exceptions to internal policy and regulatory requirements.

Risk management is an integral part of our operations and permeates through every level of the organisation, in order to support and sustain the primary objective of creating long-term shareholder value by leveraging our expertise in managing investments, which necessarily involves undertaking financial risk.

### Dedicated Risk Management team is an integral part of our business

The Risk Management team at Waha Capital sits independently from the Private Investments and Public Markets teams, and constantly monitors and highlights the various types of risks that the company is exposed to. The primary focus is the five key areas of risk that we face as a business:

| Risk Categories | Financial Risk | Operational Risk | Strategic Risk | Compliance Risk | Hazard Risk |
|---|---|---|---|---|---|
| Risk Sub-Categories | Market Risk<br>Credit Risk<br>Liquidity Risk<br>Capital Management | Human Capital<br>Technology<br>Legal<br>Corporate Governance | Reputation<br>Competition<br>Partnership | Regulatory Changes<br>Licences and Permits | Social and Political Unrest<br>Accidents<br>Natural Calamities |
| Risk Elements | Interest Rates Risk<br>FX Risk<br>Lower Stock Price<br>Higher Expenses<br>Default on Credit Facility<br>Cash Availability<br>Refinancing<br>Budgeting | Key Men Risk<br>Lack/Loss of Talent<br>Outsourcing<br>Individual Development Plans<br>Lack of Adequate Policies and Procedures<br>Outdated Systems and Softwares<br>Litigation/Lawsuits<br>Fraud | Loss of Strategic Shareholders<br>Lack of Investment Opportunities<br>Poor Marketability<br>Failure to Secure Investors | SCA Regulatory Changes<br>Lack of Necessary Licences<br>Non-Satisfactory Central Bank Audit<br>Non-Satisfactory Internal or External Audit<br>Lack of Adequate KYC/AML Processes | Interruption of Business Operations<br>Injury/Illness to Employees<br>Earthquake<br>Fire |

- Financial risk – As an investment management company, managing financial risks is one of our key strengths and a major focus. Principal financial risks include liquidity needs, availability of capital to achieve our growth objectives, interest rate, foreign currency and exchange rate volatility
- Operational risk – Our people and operations are our greatest assets. Potential operational risks include the areas of governance, technology leadership and security, as well as human capital
- Strategic risk – Our goal is to be a world class investment management firm. This requires effective and well-executed strategy, which creates shareholder value and benefits the share price. This in turn increases the company's ability to access capital. It is therefore vital to be aware of any risks that may impact strategy
- Compliance risk – Regulatory developments affecting our business model and profitability arise from governments and regulators continuing to develop policies that may impose new requirements, including the areas of capital and liquidity management, operational risk, counterparty exposures and business structure. The global nature of our business requires us to be constantly aware of changing global regulatory and compliance landscape
- Hazard risk – Macroeconomic and geopolitical risks facing all of our investments

Risk identification across our two key business segments:

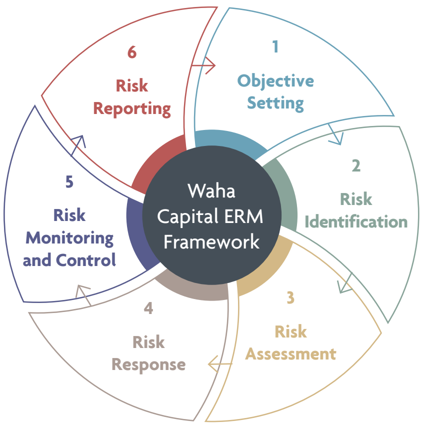
- Private Investments – Risks are continuously assessed, controlled and managed through a comprehensive framework with clearly defined roles and responsibilities – starting at the Board level and permeating through senior management and other levels within the organisation.

  Waha Capital has implemented an Enterprise Risk Management platform for its Private Investments assets based on international standards to help protect and create value for the company's stakeholders. The Enterprise Risk Management process identifies, analyses and manages risks across the entire company. It also allows the company to successfully respond to a changing business environment and seize opportunities

- Public Markets – Similarly, a comprehensive risk management platform has been developed for Waha Capital's Public Markets business which applies tight compliance and risk monitoring policies and covers market risk, operational risk, credit risk and liquidity risk for all assets under its scope. It also includes value-at-risk analysis, soft and hard stop loss triggers, interest rates, foreign exchange, credit and macro hedging processes

### Private Investments

We employ a highly developed Enterprise Risk Management (ERM) framework to establish the oversight, control and discipline to our Private Investment assets, to drive continuous improvement of an entity's risk management capabilities in a changing operating environment. This framework allows us to monitor and manage our long-term and short-term risks, report them, and ensure that we are compensated appropriately for the risk undertaken.




**Benefits of Implementing ERM to Waha Capital**

| | |
|---|---|
| Help align risk appetite with strategy | Build confidence amongst investors |
| Enhance corporate governance | Identify and manage enterprise-wide risks |
| Enhance risk response decisions | Respond to changing business environment |

**Manage Risks and Seize Opportunities**

The Waha Capital Enterprise Risk Management framework consists of:

1. Objective setting
- Understand objectives and strategies as they pertain to the risk profile of the business
- Identify key stakeholders and "key performance indicators" (KPIs)
- Determine risk appetite level

2. Risk identification
- Identify internal and external factors affecting achievement of objectives
- Distinguish between risks and opportunities
- Determine identified risks' tolerance levels and record risks within a risk register to help better align with strategy

3. Risk assessment
- Analyse risks, at the inherent and residual levels, by determining their likelihood and impact
- Determine risk scores by placing the identified risks on the risk matrix

4. Risk response
- Identify risk responses if the severity level is higher than the established risk tolerance level
- Determine the effectiveness of the risk responses

5. Risk monitoring and control
- Develop "key risk indicators" (KRIs) that act as early warning signals
- Develop policies and controls to ensure that risk responses are effectively carried out

6. Risk reporting
- Identify and capture relevant information in the form of risk reports, scorecards and dashboards
- Analyse the nature of risks, their trend and how they are managed

We primarily apply the Enterprise Risk Management framework to achieve the following goals:

1. Align strategy and corporate culture
- Create risk awareness and an open, positive culture with respect to risk and risk management
- Continue to improve tools for quantifying risk exposures as the businesses evolve
- Increase accountability for managing risks

2. Build confidence amongst investment community and stakeholders
- Allows better management of risk to enable stakeholders to make assessments as to whether returns are adequate in relation to risks undertaken

3. Enhance corporate governance
- Further strengthens Board oversight, necessitates an assessment of existing oversight structures, clarifies risk management roles and responsibilities, and aligns risk appetite with the opportunity-seeking behaviour

4. Identify and manage enterprise-wide risks
- Evaluate the likelihood and impact of major events
- Develop responses to either prevent those events from occurring or manage their impact on the entity if they do occur
- Focus on low probability and catastrophic risks in addition to traditional sources of risk
- Increase emphasis on reducing earnings volatility and managing key performance indicator shortfalls to deliver superior returns

5. Enhance risk response decisions
- Integrate risk management into critical management activities e.g. strategy-setting, business planning, capital expenditure and M&A due diligence
- Link risk management to more efficient capital allocation and risk transfer decisions
- Increase transparency by developing quantitative and qualitative measures of risks and risk management performance

6. Successfully respond to a changing business environment
- Evaluate the assumptions underlying the existing business model and the effectiveness of execution strategies
- Identify alternative future scenarios, the likelihood and severity of those scenarios
- Prioritise the risks and improve the organisation's capabilities around managing those risks

## Illustrative Enterprise Risk Management for a PI and IM-PE Investment

| Risk Identification Techniques |
|---|
| Questionnaires and Checklists |
| Workshops and Brainstorming |
| Inspection and Audits |
| Flowcharts and Dependency Analysis |
| SWOT Analysis |

**Risk Tolerance Levels**

| Risk Tolerance Level | Description |
|---|---|
| 1 | Low |
| 2 | Modest |
| 3 | Moderate |
| 4 | High |

Likelihood and impact scores assigned to the risks can be based on either qualitative or quantitative criteria, or both. The cell where the likelihood and impact scores intersect on the matrix represents the 'risk score' for the identified risk.

**Likelihood & Impact Scores**

| Likelihood | Description | Impact | Description |
|---|---|---|---|
| 1 | Remote | 1 | Insignificant |
| 2 | Less Likely | 2 | Minor |
| 3 | Possible | 3 | Moderate |
| 4 | Good Chance | 4 | High |
| 5 | Probable | 5 | Very High |
| 6 | Highly Probable | 6 | Severe |

**Risk Score**

| Severity Level | Equivalent Risk Score |
|---|---|
| Low | <11 |
| Modest | 11 to 21 |
| Moderate | 21 to 30 |
| High | >30 |

**Risk Matrix**

| Likelihood Score | | | | | | | |
|---|---|---|---|---|---|---|---|
| Highly Probable | 6 | 16 | 22 | 27 | 31 | 34 | 36 |
| Probable | 5 | 11 | 17 | 23 | 28 | 32 | 35 |
| Good Chance | 4 | 7 | 12 | 18 | 24 | 29 | 33 |
| Possible | 3 | 4 | 8 | 13 | 19 | 25 | 30 |
| Less Likely | 2 | 2 | 5 | 9 | 14 | 20 | 26 |
| Remote | 1 | 1 | 3 | 6 | 10 | 15 | 21 |
| | | 1 | 2 | 3 | 4 | 5 | 6 |
| | | Insignificant | Minor | Moderate | High | Very High | Severe |

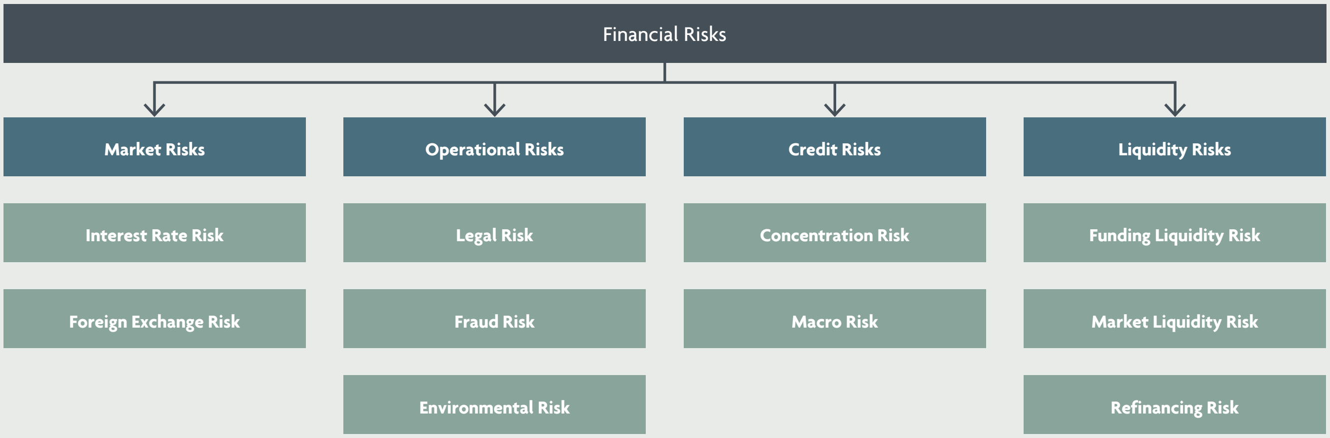
Impact Score

**Determining a Risk Score**

An identified risk with a good chance of occurrence (likelihood score: 4) combined with a severe impact (impact score: 6) is identified as a high severity risk (red zone, risk score: 33)

## Public Markets

Our investment portfolios are exposed to different financial risks that may have a negative impact on their performance. The main financial risks can be summarised as follows:




### Market risk

- Market risk is the possibility that an asset/position will lose value due to a change in the price of the underlying instrument, a change in the value of an index of financial instruments, changes in various interest rates, and other risk factors
- This includes, in our case, interest rate risk, foreign exchange risk and macro credit risk

### Operational risk

- Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These include legal and fraud risks in addition to risks related to trading and settlement errors. The management of these risks requires putting in place adequate procedures and operational controls

### Credit risk

- The possibility of loss due to a counterparty's or an issuer's default, or inability to meet contractual payment terms

### Liquidity risk

Liquidity risk can be split into three categories:

- Market liquidity risk – the possibility that an instrument cannot be obtained, closed out, or sold at (or very close to) its economic value. As individual markets evolve, their liquidity will gradually change, but market liquidity can also fluctuate rapidly during periods or market stress
- Funding liquidity risk – the risk that the funds will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or the financial condition of the portfolio. This may be due to some specific market events such as the liquidity squeeze observed after the Lehman bankruptcy
- Refinancing risk – the risk of not being able to replace maturing liabilities which may trigger a forced liquidation of assets

### Risk Management in Public Markets

The Public Markets business faces a fundamentally different variety of risks to the Private Investments business. While Private Investments assets tend to be multi-year investments, Public Markets investments are generally significantly shorter in tenure, and are therefore more significantly vulnerable to market volatility.

We employ an extremely disciplined approach to risk management of the Public Markets portfolios which are monitored on a continuous basis by the Risk Management team.

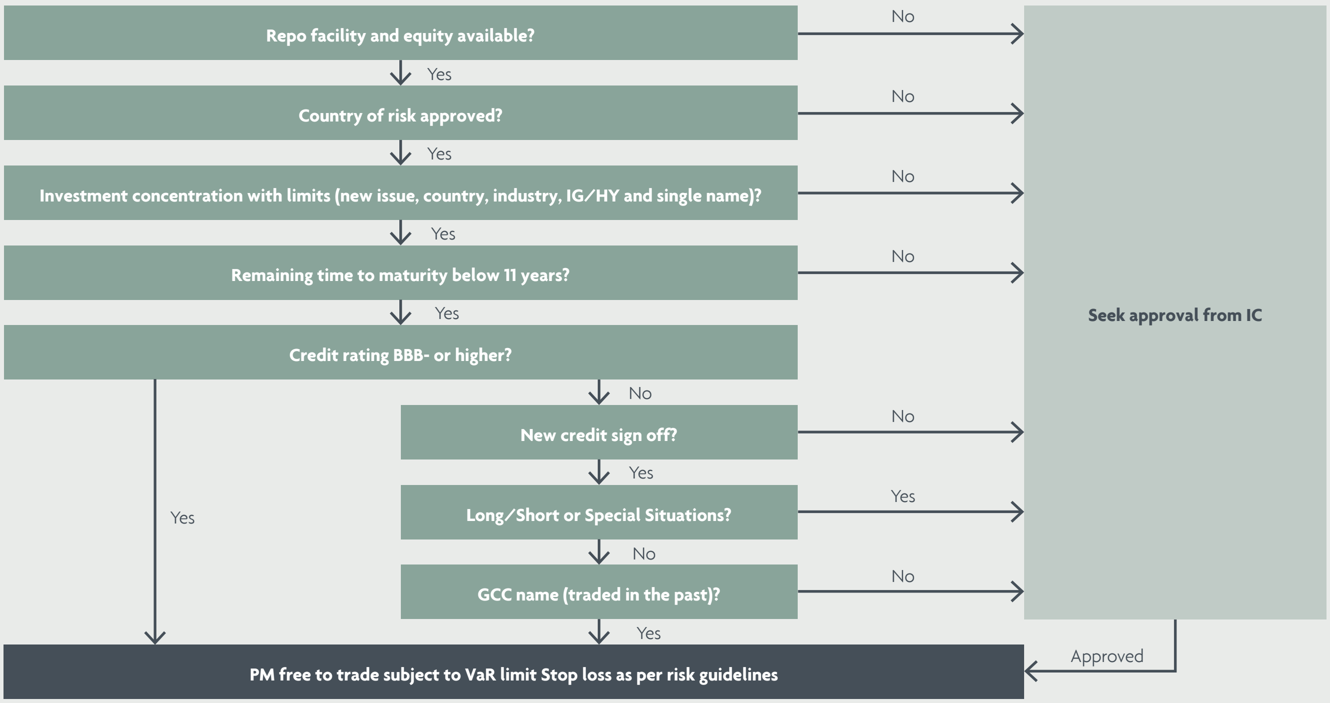
### Role of the Investment Committee

- The Investment Committee approves investments proposed by the portfolio managers
- The Investment Committee reviews investment activity reports produced by the Risk Management team on a weekly basis (daily during periods of high volatility)
- These reports (i) summarise all investment activity, (ii) clearly illustrate investment portfolio risk and return, (iii) evaluate the portfolio managers' compliance with the investment policy and all risk limits, and (iv) list exceptions to internal policy and regulatory requirements
- The Investment Committee ensures compliance with internal policies and regulatory requirements

### Role of the Risk Committee

- The Risk Committee exists to approve and amend new risk policies and meets when required
- The Risk Committee defines responsibilities of different parties in implementing the risk policy
- New policies or amendments are proposed by the risk manager after detailed discussions with the Risk Committee and Portfolio Management team members
- The implementation of approved risk polices is monitored on a daily basis by the Risk Management team
- Any breach of the Risk Management policy is reported following the action plan detailed in the related policy

The investment approval process is illustrated below:




### Investment approval process

After a detailed fundamental analysis of the target investable market, the portfolio managers propose a list of investments to the Risk Committee for approval. Most new investments require the portfolio managers to submit a detailed investment paper to the Risk Committee for approval.

### Risk management tools

Risks are managed through the use of several tools, including:

- Stop loss policies – The stop loss policy relates to a pre-determined loss exposure limit. If the loss on a security position or a sub-portfolio exceeds pre-set loss limit set by the Risk Committee, the breach will be flagged to the committee members to take the appropriate action
- VaR limits – The VaR is usually used to quantify the level of financial risk within an investment portfolio over a specific time frame. The VaR policy is implemented at the portfolio level and sub-portfolio level, and gives an indication of the expected losses over a specified period of time, taking into account the current composition. We calculate the liquidity-adjusted value at risk (LAVaR) for individual positions using return volatility over the last five years. This allows us to compare positions with different fundamentals and sensitivities. This method takes liquidity cost of individual positions into consideration and assesses it using bid-offer spreads

- Macro hedging policies – A number of limits are set to monitor the concentration risk of the portfolio. These limits are fixed and any breach has to be addressed with the Risk Management team. Various hedging tools are used to mitigate the risk as per Investment Committee approvals
- Interest rate hedging policies – Interest rate movements represent a major risk to fixed income investments even if the primarily criteria for bond selection is positive views on credit. The management of IR risk is therefore required to appropriately position the portfolio
- FX hedging policies – Similar to interest rate hedges, we employ FX hedges for non-USD bonds as required to achieve the right risk/return profile of the portfolio
- Other limits – Other limits such as concentration limits by issuer, sector and geography are also set

**Monitoring of the policy**

Securities are monitored daily by the Risk Management team. If any of the limits are breached, a notification is automatically sent to the Risk Committee, and the portfolio manager has to propose corrective actions.

The Risk Management team produces a portfolio overview report, which allows the management to track the portfolio performance and positions on a weekly basis and even daily during times of stress. Continuous independent review of the portfolio of securities is a key component of our risk management culture, which we believe aids in delivering long-term shareholder value.

# Corporate Governance

### Commitment to Strong Corporate Governance

Waha Capital's commitment to a robust corporate governance framework is essential for its long-term prosperity. This lies at the centre of its mission to create value for its shareholders and provide them and the wider market with confidence that company affairs are being managed in a fair, responsible and transparent manner.

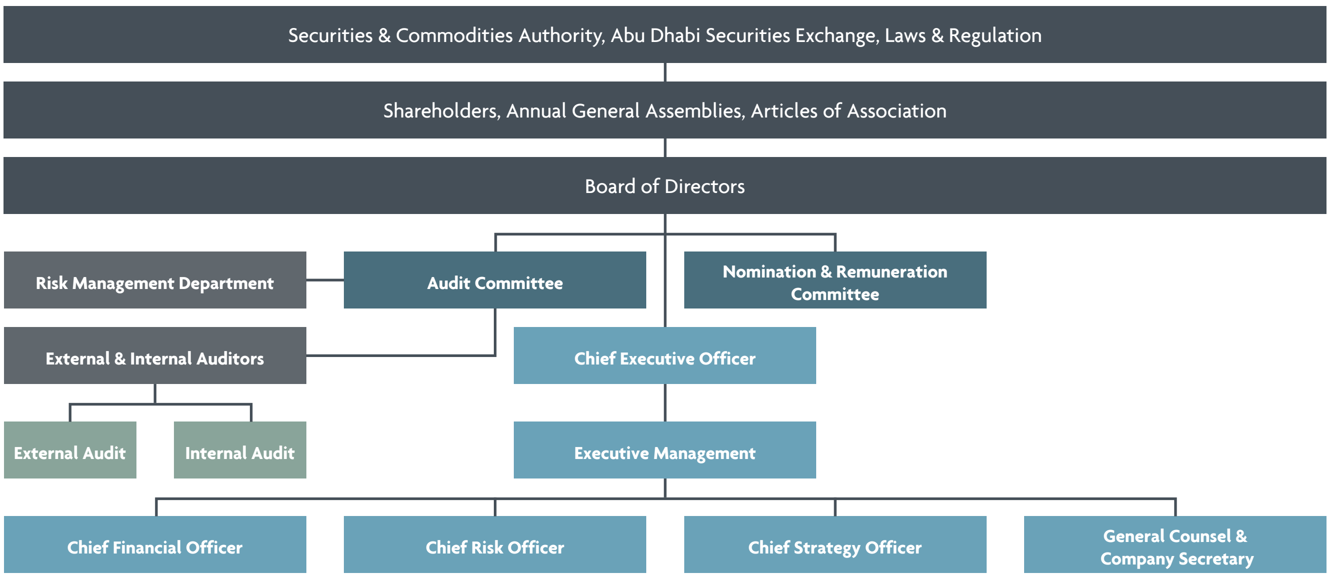
Accordingly, Waha Capital has implemented a comprehensive corporate governance framework which is modelled on international best practice and complies with the requirements of the Emirates Securities and Commodities Authority (ESCA) and the Abu Dhabi Securities Exchange (ADX). This framework addresses the following key topics:

- Responsibilities of the Board and individual Directors;
- Terms of reference for each of the company's two Board Committees;
- Appropriate delegation of authority to Management;
- The Company's relationship with its shareholders;
- Internal controls, and compliance functions;
- Rules relating to the appointment of external auditors;
- The Company's Code of Conduct; and
- Share dealing policy applicable to Directors and employees.

We continue to monitor and update our corporate governance framework to ensure that it keeps abreast of regulatory changes, changes to our business and prevailing corporate governance concepts.

Further information on our corporate governance framework and practices is set out in our Corporate Governance Report for 2018 which is available on our website www.wahacapital.ae.

### Corporate Governance Structure




Waha Capital's corporate governance framework is headed by the Board of Directors. The Board 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, creating and delivering sustainable value through the proper management of the company's business.

The Board is assisted in this process internally by the Board Committees, the Internal Control Department, the Compliance Officer, the Risk Management Department and day-to-day by members of the Executive Management.

### Board

The current Board of Directors were elected by the Company's shareholders in the Company's 2018 Annual General Meeting held on 25 March 2018. Accordingly, all of the Directors' terms of office will expire upon the Company's Annual General Meeting in 2021.

All of Waha Capital's Directors are considered as non-executive. Five of the Directors are considered as independent under ESCA's Corporate Governance Code.

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

### Board Committees

The Company has established the Audit Committee and the Nomination and Remuneration Committee with formal Terms of Reference (charters), which set out its responsibilities, composition and operating and reporting frameworks.

Each Committee reports regularly to the Board about their activities and the exercise of their powers, which includes updating the Board at each Board meeting of all decisions and resolutions passed by the Committees since the last Board meeting.

Annually, each Committee evaluates its workings under its relevant Terms of Reference, with a view to improving the workings of the relevant Committee or its relationship with the Board and the Board follows up the operations of the Committees to ensure that they are adhering to their Terms of Reference.

### 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
- reviewing or investigating 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 making 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:

- organising and following up with the Board nomination procedures in line with the requirements of applicable laws and regulations and of the 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.

### Internal Controls Department

Waha Capital's internal control and 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 minimising 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 Waha Capital Corporate Governance Manual, the Board is responsible for ensuring that the Company applies adequate internal control systems. The Board is also responsible for performing an annual review of the effectiveness of the Company's internal control system and the scope of the Company's compliance with that system.

Under a delegated authority, Management is also 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.

In February 2018, the Company appointed Mr Khurram Sabir as the Head of the Internal Audit function and Compliance Officer. Mr Sabir is a qualified Chartered Accountant with over 17 years of professional experience in Compliance, Audit and internal controls; Mr Sabir also holds Chartered Financial Analyst (CFA) and Masters of Business Administration (MBA) degrees. In this role, Mr Sabir reports to the Audit Committee, and enjoys operational independence from Management.

### Internal Audit

During 2018, the Internal Audit department carried out internal audits of the Company's Public Markets, Risk Management and Marketing & Corporate Communications departments. The findings of the audits were presented to the Company's Audit Committee upon completion and recommendations were adopted for implementation by the respective departments. The Internal Audit Department is satisfied that there have not been any significant deviations of the established internal controls during the course of 2018.

### External Audit

Deloitte & Touche (M.E.) ("Deloitte") was first appointed as Waha Capital's External Auditor at the 2012 Annual General Meeting held on 15 April 2012. They were reappointed as External Auditor in each of the 2013-2018 Annual General Meetings.

Waha Capital 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 external audit fees of Deloitte for the year 2018 amounted to AED 596,000 being for auditing services provided to Waha Capital and certain of its subsidiaries.

### Compliance

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 Audit Committee/Board on key matters of non-compliance.

### 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 2018, 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, the 2018 dividend, its key investor relations materials, and key transactions and financings entered into by the 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 ADX;

- trading may not take place during any black-out period, as follows:

A) ten working days prior to the announcement of any significant information which affects the share price by way of a rise or fall, unless the information was a result of sudden adventitious events;
B) from 15 March until the company's first quarter financial statements are disclosed to the ADX;
C) from 15 June until the company's first half financial statements are disclosed to the ADX;
D) from 15 September until the company's third quarter financial statements are disclosed to the ADX; and
E) from 15 December until the company's full year audited financial statements are disclosed to the ADX.

- 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, provided they give notification of any trading to the Chairman (or, in his absence, the Vice-Chairman), whilst employees who are not in such possession may only do so with the prior written consent of the Chief Executive Officer (or, in his absence, the Company Secretary), which consent will normally only be given in the first two weeks after the quarterly or annual results are released to the ADX.

**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 regularly informed of key dates. The Company has also given ADX an updated list of Company insiders, to facilitate the ADX's monitoring of the Company's compliance with all applicable share dealing laws.

The Company also has an Insider Trading Committee currently comprises of the following members:

- Ms Sana Khater – Chief Financial Officer;
- Mr Peter Howley – Company Secretary; and
- Mr Khurram Sabir – Head of Internal Control Department and Compliance Officer.

The duties of this Committee are to administer the Company's Share Dealing Policy, and to regularly monitor trading in the Company's shares to reduce the risk of any unauthorised trading by the Company's Directors and employees. In 2018, the Committee did not receive any application by any Director or employee to trade in the shares of the Company.

**Directors' Remuneration**

The Company's General Assembly determines the remuneration of the Board directors on an annual basis. According to the new Commercial Companies Law (Federal Law No. 2 of 2015), the Director's remuneration cannot exceed 10 percent of the net profits of the Company, after deducting 10 percent of the net profits to the statutory reserve.

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 2018, the Directors were paid AED 18 million (in aggregate) in respect of the 2017 financial year. The Directors' fees for the 2018 financial year will be decided at the Company's Annual General Meeting for 2019.

No allowances were paid to Directors for their attendance of meetings of the Board or Board Committees in 2018.

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.

**Memorandum And Articles Of Association**

The Company's Memorandum and Articles of Association is available for viewing at the company's website: www.wahacapital.ae

# Board of Directors

**HE Salem Rashid Al Noaimi**
Chairman

HE Al Noaimi is Waha Capital's Chairman of the Board. HE Al Noaimi served as Waha Capital's Chief Executive Officer & Managing Director from 2009 until March 2018 and led the company's strategic transformation into a leading investment company, managing proprietary and third party assets.

Additionally, HE Al Noaimi holds a number of board positions with large public and private companies. He is Chairman of SEHA, and is also a board member of New York-listed AerCap Holdings.

Earlier in his career, he held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development, and Kraft Foods.

HE Al Noaimi is a UAE national and holds a degree in Finance and International Business from Northeastern University in Boston, USA.

**Ahmed Ali Khalfan AlMutawa Al Dhaheri**
Vice Chairman

Mr Al Dhaheri is the Chairman of Ali & Sons Holding LLC and Foodco Holdings PJSC. He is also a board member of Al Wathba National Insurance Co PJSC and Abu Dhabi Aviation PJSC.

Mr Al Dhaheri is a Certified Public Accountant from California, United States and holds a bachelor degree in Accounting from Seattle Pacific University Washington, USA.

**Carlos Obeid**
Director

Mr Obeid is the Group Chief Financial Officer of Mubadala Investment Company. He is also Chairman of Mubadala Infrastructure Partners Ltd (MIP). He currently serves on the boards of several companies, including Mubadala Petroleum LLC, Abu Dhabi Future Energy (Masdar), Cleveland Clinic Abu Dhabi (CCAD), and GLOBALFOUNDRIES Inc.

Mr Obeid holds a Bachelor of Science in Electrical Engineering from American University of Beirut, Lebanon and a Master's in Business Administration from INSEAD in Fontainebleau, France.

**Rashed Darwish Al Ketbi**
Director

Mr Al Ketbi is the current Chairman of the Board of the RDK Group. He is also Vice-Chairman and Managing Director of Al Wathba National Insurance Company PJSC and Foodco Holding PJSC. He currently serves on the board of Darwish Bin Ahmed & Sons Co LLC.

Mr Al Ketbi holds a Bachelor's degree in Commerce degree from Indiana University and a Master of Business Administration from the University of St. Louis University of Management, USA.

**Rasheed Ali Al Omaira**
Board member

Mr Al Omaira holds board positions on the Al Wathba National Insurance Company and Abu Dhabi National Company for Building Materials (Bildco) and he is the Chairman of Vision Capital Brokerage Company.

Mr Al Omaira is the Chief Executive Officer of Abu Dhabi National Company for Building Materials (Bildco), an Abu Dhabi Securities Exchange-listed company and have three subsidiaries (Bildco Reinforcing Steel Services Est., Bildco Aerated Concrete Products LLC, Bildco Cement Products LLC) that provides and manufactures building products for residential and commercial construction projects.

Mr Al Omaira has over 22 years of experience in leading businesses. He has led his family business Omaira Group of Companies, managing the daily business and assets, and helping maintain profitability and revenue growth. Mr Al Omaira was also the CEO of Vision Capital Brokerage Company from 2006 to 2010.

**Khaled Al Shamlan**
Director

Mr Al Shamlan is the head of Sovereign Investment Partnerships at Mubadala Capital responsible for managing government-to-government investment programmes. He currently manages a multi-billion dollar commitment across five sovereign partnerships including China, Russia, France, Kazakhstan and Greece.

Prior to his current role, Mr Al Shamlan started at Mubadala Development Company in 2005 and was one of the early members of the Merger and Acquisitions practice. During this time, he played a key role in negotiating and executing a number of strategic acquisitions worth over USD 4 billion.

In 2009, Mr Al Shamlan was a founding member of the Advanced Technology Investment Company (ATIC), a wholly Abu Dhabi government-owned investment firm focusing on investing in the high-tech sector with immediate focus on semiconductors. He was also a core member of the deal team that executed the initial acquisition of 8.1 percent stake in AMD in 2007 and led the joint venture transaction between ATIC and AMD to establish the second largest chip manufacturing company in the world, GLOBALFOUNDRIES.

Mr Al Shamlan holds a Bachelor's Degree in International Relations from State University of New York at Buffalo in the US, and a Leadership Development Certificate from University of California, Berkeley.

**Mohamed Hussain Al Nowais**
Director

Mr Al Nowais is the Chairman and Managing Director of Tama Investment & Development LLC. Previously he was an Investment Associate at Abu Dhabi Investment Authority (ADIA). Also, Mr Al Nowais worked briefly with J.P. Morgan in New York, USA, as an Investment Banking Analyst and worked with Al Nowais Investment Company in Abu Dhabi as a Business Analyst. He also completed multiple internships with international financial institutions including HSBC in Abu Dhabi and Citibank in London, UK.

In addition to Waha Capital, Mr Al Nowais serves on the boards of Al Nowais Investments LLC and AMEA Power.

Mr Al Nowais holds a Bachelor's Degree with joint honours in Economics and Business Finance from the Brunel University in London, UK.

## Executive Management

**Michael Raynes**
Chief Executive Officer

Michael Raynes, Chief Executive Officer of Waha Capital, brings an intricate understanding of investing and value creation, having held senior leadership positions at global financial institutions.

Mr Raynes has a long track record of success at Waha Capital, and was previously the Chief Operating Officer, with responsibility for all investing activity including in capital markets, private equity, infrastructure and real estate.

Prior to this, he served as global head of several Investment banking divisions at Barclays Capital in London and New York, including aerospace and defence, capital goods, trade finance and cross-border leasing. He was also a member of the Senior Managing Directors' Committee for European Investment Banking. During his time at Barclays Capital, Mr Raynes led the execution of large-scale structured finance transactions, which included a number of benchmark high-value asset-backed financing mandates.

Mr Raynes is currently also the Managing Partner of Waha Capital International LLP, an Energy focused investment partnership, and Board Member of Channel VAS, Waha Energy Limited, London- and Canada-listed SDX Energy Inc. and the MENA Infrastructure Fund.

**Sana Khater**
Chief Financial Officer

Ms Khater is Waha Capital's Chief Financial Officer. Ms Khater oversees the company's financial strategy, financial planning, and regulatory reporting activities. Ms Khater is also responsible for the company's overall banking requirements and capital structure, which include debt financing and treasury management. Ms Khater has over 20 years of experience in the banking and financial services industries across multiple jurisdictions.

Prior to joining Waha Capital, Ms Khater was Chief Financial Officer and Director of North Africa Holding, a Kuwait-based investment holding company focused on Private Equity. Previously Ms Khater was CFO of NBK Capital, the investment-banking subsidiary of National Bank of Kuwait (NBK) and CFO and Acting Co-Head of Asset Management in the Investment Banking, Private Equity and Treasury Group of NBK. Prior to NBK, Ms Khater held multiple roles in finance and financial controllership in Canada.

Ms Khater is a Certified Public Accountant from McGill University in Montreal, Canada. Ms Khater holds a bachelor's degree in Mathematics and an MBA from the American University of Beirut and holds the ACA accreditation awarded by the ICAEW.

**Abdellah Sbai**
Chief Strategy Officer

Mr Sbai is the Chief Strategy Officer of Waha Capital. He works closely with the CEO to identify new corporate growth opportunities that deliver on Waha's core objectives.

Mr Sbai has over 20 years of experience in asset management, investment banking and aviation.

He was previously responsible for Waha Capital's capital markets investments, and raising third-party capital for the fixed income and equities funds.

Prior to joining Waha Capital, he was the global head of Barclays Capital's aerospace group and head of aviation finance for the company in London, where he advised clients on debt and derivative solutions. Previously, he held a number of senior positions at Airbus in France, including Commercial Head for the MENA region.

Mr Sbai has a degree in engineering and a PhD in Aerodynamics from the Ecole Nationale Supérieure de l'Aéronautique et de l'Espace. He also holds a master's degree in Mathematics from Lille University in France.

**Chakib Aabouche**
Chief Risk Officer

Mr Aabouche is the Chief Risk Officer of Waha Capital, and oversees the strategic management of risk on an enterprise-wide basis covering the company's capital markets, and private investments businesses. He heads the team responsible for developing the risk governance framework, defining its risk appetite and ensuring that all risks generated by the business are measured, reviewed and monitored on an ongoing basis.

Previously, Mr Aabouche was a Director in the Risk Solutions Group covering the Middle-East and North Africa at Barclays Capital in Dubai. Prior to that, he served as Director in Citigroup's corporate and investment bank in Bahrain, heading the Derivatives Sales and Structuring team for MENA region (excluding UAE). Through his banking career, he advised regional corporates on financial risk management related to M&A and financing activities and executed transactions covering different asset classes such as FX, interest rates, credit and commodities.

Mr Aabouche serves on several Boards in various capacities, including Chairman of Anglo Arabian Healthcare, Chairman of Waha Land, and serves on the Risk Committee of Dunia Finance.

Mr Aabouche holds an MBA in Finance and an MSc in Financial Engineering form Laval University, Canada. He is a CFA Charterholder.

**Hazem Saeed Al Nowais**
Chief Executive Officer, Waha Land

Mr Al Nowais is CEO of Waha Land, the real estate arm of Waha Capital, managing its industrial development, ALMARKAZ. With 22 years experience in construction, design management and real estate development, he has held senior positions with organisations including Aldar Properties, the Abu Dhabi Public Works Department and the Abu Dhabi Marine Operating Company.

Mr Al Nowais holds a Bachelor's and a Master's degree in Architecture from the Savannah College of Art and Design in Savannah, Georgia, USA. He received the Sheikh Rashid Award for Academic Excellence in 1997, and is a member of the Tau Sigma Delta National Honor Society in Architecture and Applied Arts (USA).

**Mohamed El Jamal**
Managing Director, Head of Public Markets

Mohamed El Jamal, Managing Director, is the Head of Waha Public Markets business line.

He joined Waha Capital in 2010, since then, he has been instrumental in setting-up and developing Waha's asset management platform. He is the lead portfolio manager of the flagship funds – Waha CEEMEA Credit Fund and the Waha Mena Equity Fund – both of which have a long-term track record of outperformance and have consistently ranked in the top percentile of their respective peer groups. Under Mr El Jamal's leadership Waha's Public market funds have opened-up and attracted third party capital from a mix of international and regional investors.

He has 14 years of professional experience investing across capital structure, including public equities and bonds, private senior and subordinated debt. Prior to joining Waha Capital, he worked for Société Générale Corporate & Investment Banking in London focusing on equity and debt financing transactions with an aggregate size in excess of USD 10 billion covering transport, defense, healthcare, oil & gas, waste and utilities industries.

Mr El Jamal holds a Master Degree in Financial Engineering, which he obtained with Honours, from ESSEC Business School in France.

**Peter Howley**
General Counsel & Company Secretary

Mr Howley leads the Waha Capital group legal team. He is responsible for the company's legal and regulatory affairs, corporate governance and company secretarial functions. Mr Howley has significant executive management experience through Directorships at portfolio companies, membership on Investment Committees and Company Secretarial roles. He has advised entities across the value-chain from start-ups to FTSE and NYSE listed companies and national governments, including in the oil & gas, healthcare, aviation, energy, infrastructure, telecommunications and financial services sectors.

Mr Howley has served at Waha Capital for over 5 years. Prior to joining Waha Capital, he worked for a leading international law firm in London where he led transactions in Europe, the US and in emerging markets, with experience including complex cross border transactions, private and public mergers and acquisitions, joint ventures, projects and government advisory mandates, investment fund structuring, capital markets transactions and compliance and corporate governance frameworks.

Mr Howley is a member of the UAE General Counsel Forum and is qualified as a solicitor in England and Wales and is licensed to practice by the Solicitors Regulatory Authority of England and Wales. Mr Howley holds a degree of Bachelor of Law with European Law from the University of Leeds.

**Ergham Al Bachir**
Head of Human Resources and Administration

Ms Al Bachir heads the human resource and administration functions at Waha Capital, focusing on talent mapping, performance management, leadership development, and Emiratisation. She has over 20 years of experience in the private and the public sector, and has held a number of positions leading strategic human resources teams and developing national talent programmes.

Before joining Waha Capital, Ms Al Bachir was Director of Corporate Services at Istithmar World, an investment company part of Dubai World. Prior to Istithmar, she served as Advisor and Head of the Technical Support Unit at UAE National Human Resources Development Authority.

Ms Al Bachir is a doctoral researcher in Leadership and Organisational Behaviour and holds an MSc from Henley Business School and an MBA from the University of Liverpool, UK.

# Financial Statements for the year ended 31 December 2018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The Shareholders
Al Waha Capital PJSC
Abu Dhabi
United Arab Emirates

## Report on the audit of the consolidated financial statements of Al Waha Capital PJSC

### Opinion

We have audited the accompanying consolidated financial statements of Al Waha Capital PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Assessment of control, joint control and significant influence on investments** | |
| Refer to note 3 (accounting policy) and note 5 and 12 (financial disclosures).<br><br>The appropriate classification and accounting of the Group's investments or involvement in other entities requires significant management judgement, in particular in regard to assessing control, joint control or significant influence with respect to:<br>• the Group's decision making rights over the investee/s relevant activities;<br>• the legal structure of the transaction; and<br>• the existence of other material rights and/or obligations.<br><br>There is a risk that management may have not fully considered all rules, facts and circumstances in assessing whether the Group has control, joint control or significant influence on its investment/s or involvement in other entities, which may have significant consequences on the consolidated financial statements and on its disclosures. | As part of our audit procedures, we have:<br>• Tested the design and implementation of key controls around the application of the accounting standards and evaluated the significant judgements that management exercised in determining whether the Group controls, has significant influence or jointly controls portfolio companies, funds, and other entities;<br>• Inspected legal documents supporting key judgments made by management in determining whether the Group controls, jointly controls or has significant influence over an investee e.g., power over relevant activities;<br>• Reviewed management's assessment on continuing control, jointly controls or influence on any investee following a change in ownership or contract terms; and<br>• Assessed compliance with accounting standards. |

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of equity accounted associates and joint ventures** | |
| Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 12 (financial disclosures).<br><br>Investments in equity-accounted associates and joint ventures amounted to AED 4.2 billion (36% of total assets) and 5.32 billion (47% of total assets) as at 31 December 2018 and 2017, respectively.<br><br>The Group is exposed to risk of impairment of its equity accounted associates and joint ventures. The Group's management conducts its impairment test to assess the recoverability of the equity accounted associates and joint ventures and considers whether there are indicators of impairment with respect to these investments. Impairment assessments require significant judgement and there is the risk that valuation of the assets may be incorrect and any potential impairment charge miscalculated.<br><br>As such, we have identified the impairment assessment as representing key audit matters due to the significance of the balance to the financial statements as a whole, combined with the judgement and estimates associated in conducting the impairment assessment. | As part of our audit procedures, we have:<br>• Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management in performing impairment assessment;<br>• Evaluated the appropriateness of the model and/or methodology used by management to calculate the value in use;<br>• Challenging the reasonableness of management's assumptions and critically assessing the estimates used in determining the recoverable values of material investments;<br>• Benchmarked assumptions applied against external data and assessed reasonableness based on our knowledge of the Group and the industry; and<br>• Reviewed sensitivity analyses and stress test scenarios. |
| **Recognition and valuation of investment properties** | |
| Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 9 (financial disclosures).<br><br>The Group's investment properties amounted to AED 753.57 million (6% of total assets) and AED 758.67 million (7% of total assets) as at 31 December 2018 and 2017, respectively.<br><br>The investment properties arose from the recognition of a portion of the land granted by the Abu Dhabi Government. The Group accounts for investment properties initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss. The Group uses independent valuers to determine the fair value of the investment properties on an annual basis.<br><br>As the fair value is determined based on level 3 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment property. We have identified the recognition and valuation of investment properties as a key audit matter in view of the significant judgments involved. | As part of our audit procedures, we have:<br>• Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management in performing recognition and valuation of investment properties;<br>• Assessed the external valuer's competence, capabilities and objectivity by perusing their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed any scope limitations in their work;<br>• Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the external valuer. With the assistance of our real estate specialists, we have assessed whether the valuations were performed in accordance with Royal Institution of Chartered Surveyors Valuation Professional Standards;<br>• Gained an understanding of the external valuer's valuation methodologies (e.g., income capitalisation approach, residual value method) and their assumptions applied such as rental yields, discount rates etc. by comparing yields on a sample of similar properties and by evaluating the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions;<br>• Discussed with external valuer on the valuation methods, inputs and key assumptions applied;<br>• Compared a sample of key inputs used in the valuation model, such as rental income, occupancy and current tenancy contracts to lease contracts to ensure the accuracy of the information supplied to the external valuer by management; and<br>• Evaluated management's established criteria for recognition of government grants for reasonability. |

## Key audit matters continued

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Valuation and accounting of an Option** | |
| Refer to note 3 (accounting policy) and notes 13 and 28 (financial disclosures).<br><br>Further to the acquisition of Petronash, the Group also acquired additional rights in the form of options and warrants (the Options) on zero-cost basis and classified as financial asset measured at FVTPL. Since the Day 1 fair value was derived using unobservable inputs, the fair value at initial recognition was deferred as Unearned Income and amounted to AED 213,200 thousand and is recycled into profit or loss account over the life of the Options. On subsequent re-measurement, the change in fair value is recognised into profit or loss account.<br><br>The valuation and accounting of the Options can involve a significant degree of complexity and management judgement and are subject to an inherent risk of error.<br><br>Given the significant account balance and the complexity of the accounting requirements, we have assessed the valuation and accounting of the Options as a key audit matter. | As part of our audit procedures, we have:<br>• Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management on the accounting and valuation of the Option;<br>• Obtained the valuation prepared by a third party valuation expert;<br>• Involved our valuation specialist team to test the inputs into the valuation model and to assess the reasonableness of the assumptions used in the model and check the accuracy of the computation of the fair value change is appropriate;<br>• Reviewed management assessments of the treatment of the fair value of the Options at Day 1 and the treatment at subsequent measurement dates; and<br>• Assessed whether the financial statement disclosures are appropriate. |

## Other information

The Board of Directors and management are responsible for the other information. The other information comprises the Chairman's Report attached to these consolidated financial statements and Management's Discussion & Analysis, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries and equity accounted investees of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

As required by UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Chairman's Report is consistent with the books of account of the Group;

v) note 13 to the consolidated financial statements discloses that the Group purchased or invested in shares during the financial year ended 31 December 2018;

vi) note 25 to the consolidated financial statements discloses material related party transactions and balances, the terms under which they were conducted and principles of managing conflict of interests;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and

viii) note 23 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2018.

**Deloitte & Touche (M.E.)**

Signed by:

**Georges F. Najem**
Registration No. 809

27 February 2019

Abu Dhabi, United Arab Emirates

## Consolidated Statement of Financial Position

As at 31 December

| | Note | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|---|
| ASSETS | | | |
| Furniture and equipment | 8 | **72,695** | 82,534 |
| Investment property | 9 | **753,566** | 758,666 |
| Goodwill and intangible assets | 10 | **107,719** | 115,155 |
| Investments in finance leases | | **2,903** | 9,930 |
| Loan investments | 11 | **232,963** | 232,963 |
| Investments in equity-accounted associates and joint ventures | 12 | **4,200,967** | 5,321,224 |
| Financial investments | 13 | **5,418,628** | 3,575,184 |
| Inventories | | **9,728** | 8,900 |
| Trade and other receivables | 14 | **443,270** | 539,833 |
| Cash and cash equivalents | 15 | **428,970** | 490,473 |
| | | **11,671,409** | 11,134,862 |
| Asset classified as held for sale | 7 | **–** | 219,480 |
| Total assets | | **11,671,409** | 11,354,342 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 16 | **1,944,515** | 1,944,515 |
| Treasury shares | 16 | **(267,184)** | (267,184) |
| Retained earnings | | **1,407,829** | 1,725,713 |
| Reserves | | **494,002** | (22,763) |
| Equity attributable to the Owners of the Company | | **3,579,162** | 3,380,281 |
| Non-controlling interests | 5.2 | **970,768** | 789,569 |
| Total equity | | **4,549,930** | 4,169,850 |
| Liabilities | | | |
| Borrowings | 17 | **6,463,768** | 6,584,012 |
| End of service benefit provision | | **33,969** | 32,608 |
| Derivative liabilities | 18 | **36,304** | 123,263 |
| Trade and other liabilities | 19 | **587,438** | 444,609 |
| Total liabilities | | **7,121,479** | 7,184,492 |
| Total equity and liabilities | | **11,671,409** | 11,354,342 |

These consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2019 and signed on their behalf by:

Chairman

Chief Executive Officer

Chief Financial Officer

The notes numbered 1 to 30 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 44 to 47.

## Consolidated Statement of Profit or Loss

For the year ended 31 December

| | Note | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|---|
| Revenue from sale of goods and services | 20 | **291,330** | 318,372 |
| Cost of sale of goods and services | 20 | **(220,031)** | (227,497) |
| Gross profit | | **71,299** | 90,875 |
| Share of profit from equity-accounted associates and joint ventures, net | 12 | **540,400** | 644,706 |
| Impairment of equity-accounted associates and joint ventures | 12 | **(294,695)** | (257,348) |
| Gain on disposal of equity-accounted associates and joint ventures | 12 | **56,393** | – |
| Gain on disposal of asset classified as held for sale | 7 | **109,438** | 50,207 |
| Gain on disposal of a subsidiary | 5.3 | **–** | 124,477 |
| Income from financial investments | 21 | **128,579** | 312,896 |
| Impairment of investment property | 9 | **(40,792)** | (58,361) |
| Other income, net | 22 | **23,651** | 19,235 |
| General and administrative expenses | 23 | **(274,772)** | (347,543) |
| Finance cost, net | 24 | **(155,671)** | (125,183) |
| Profit for the year | | **163,830** | 453,961 |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | **145,000** | 425,940 |
| Non-controlling interests | | **18,830** | 28,021 |
| Profit for the year | | **163,830** | 453,961 |
| Basic and diluted earnings per share attributable to the Owners of the Company (AED) | 16 | **0.079** | 0.231 |

The notes numbered 1 to 30 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 44 to 47.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Profit for the year | 163,830 | 453,961 |
| Other comprehensive income/(loss) | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Share of effective portion of changes in fair value of cash flow hedges | 340,243 | (542,604) |
| Hedge reserve reclassification adjustments for amounts recognised in profit or loss (note 21) | 144,448 | – |
| Share of changes in other reserves of equity-accounted associates and joint ventures (note 12.2) | 26,292 | 816 |
| Release of share of other reserves of asset classified as held for sale | (976) | – |
| Release of share of other reserves of equity-accounted associates and joint ventures upon disposal | (3,405) | (92) |
| | 506,602 | (541,880) |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Net change in fair value of financial assets at fair value through other comprehensive income (note 13) | – | (7,074) |
| | – | (7,074) |
| Other comprehensive income/(loss) for the year | 506,602 | (548,954) |
| Total comprehensive income/(loss) for the year | 670,432 | (94,993) |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Company | 651,602 | (123,014) |
| Non-controlling interests | 18,830 | 28,021 |
| Total comprehensive income/(loss) for the year | 670,432 | (94,993) |

The notes numbered 1 to 30 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 44 to 47.

# Consolidated Statement of Changes in Equity
For the year ended 31 December

| | Share capital AED '000 | Treasury shares AED '000 | Retained earnings AED '000 | Statutory reserve AED '000 | Revaluation reserve AED '000 | Hedge reserve AED '000 | Other reserves AED '000 | Total reserves AED '000 | Equity attributable to Owners of the Company AED '000 | Non-controlling interests AED '000 | Total equity AED '000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 (as reported) | 1,944,515 | (267,184) | 1,710,069 | 429,897 | 11,411 | 42,047 | 242 | 483,597 | 3,870,997 | 314,568 | 4,185,565 |
| Reclassifications | – | – | – | – | – | – | – | – | – | (5,534) | (5,534) |
| At 1 January 2017 (restated) | 1,944,515 | (267,184) | 1,710,069 | 429,897 | 11,411 | 42,047 | 242 | 483,597 | 3,870,997 | 309,034 | 4,180,031 |
| Profit for the year | – | – | 425,940 | – | – | – | – | – | 425,940 | 28,021 | 453,961 |
| Other comprehensive (loss)/income | – | – | – | – | (7,074) | (542,604) | 724 | (548,954) | (548,954) | – | (548,954) |
| Total comprehensive income/(loss) | – | – | 425,940 | – | (7,074) | (542,604) | 724 | (548,954) | (123,014) | 28,021 | (94,993) |
| Cash dividend (note 16) | – | – | (367,702) | – | – | – | – | – | (367,702) | – | (367,702) |
| Transfer to statutory reserve | – | – | (42,594) | 42,594 | – | – | – | 42,594 | – | – | – |
| Contributions from non-controlling interests | – | – | – | – | – | – | – | – | – | 456,612 | 456,612 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | (1,508) | (1,508) |
| Disposal of a subsidiary (note 5.3) | – | – | – | – | – | – | – | – | – | (2,590) | (2,590) |
| **At 31 December 2017** | **1,944,515** | **(267,184)** | **1,725,713** | **472,491** | **4,337** | **(500,557)** | **966** | **(22,763)** | **3,380,281** | **789,569** | **4,169,850** |
| At 1 January 2018 (as reported) | 1,944,515 | (267,184) | 1,725,713 | 472,491 | 4,337 | (500,557) | 966 | (22,763) | 3,380,281 | 789,569 | 4,169,850 |
| Impact of adoption of new accounting standards (note 2(d)) | – | – | (100,666) | – | (4,337) | – | – | (4,337) | (105,003) | (3,818) | (108,821) |
| At 1 January 2018 (restated) | 1,944,515 | (267,184) | 1,625,047 | 472,491 | – | (500,557) | 966 | (27,100) | 3,275,278 | 785,751 | 4,061,029 |
| Profit for the year | – | – | 145,000 | – | – | – | – | – | 145,000 | 18,830 | 163,830 |
| Other comprehensive income | – | – | – | – | – | 484,691 | 21,911 | 506,602 | 506,602 | – | 506,602 |
| Total comprehensive income | – | – | 145,000 | – | – | 484,691 | 21,911 | 506,602 | 651,602 | 18,830 | 670,432 |
| Cash dividend (note 16) | – | – | (321,739) | – | – | – | – | – | (321,739) | – | (321,739) |
| Transfer to statutory reserve | – | – | (14,500) | 14,500 | – | – | – | 14,500 | – | – | – |
| Acquisition of non-controlling interests (note 5.2) | – | – | (25,979) | – | | – | – | – | (25,979) | (16,463) | (42,442) |
| Contributions from non-controlling interests, net (note 5.2) | – | – | – | – | – | – | – | – | – | 192,423 | 192,423 |
| Dividends paid to non-controlling interests (note 5.2) | – | – | – | – | – | – | – | – | – | (9,773) | (9,773) |
| **At 31 December 2018** | **1,944,515** | **(267,184)** | **1,407,829** | **486,991** | **–** | **(15,866)** | **22,877** | **494,002** | **3,579,162** | **970,768** | **4,549,930** |

The notes numbered 1 to 30 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 44 to 47.

## Consolidated Statement of Cash Flows
For the year ended 31 December

| | Note | 2018 AED '000 | 2017 AED '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 163,830 | 453,961 |
| **Adjustments for:** | | | |
| Depreciation | 8 | 20,298 | 17,676 |
| Finance cost, net | 24 | 155,671 | 127,141 |
| Charge for employees' end of service benefits | | 7,960 | 10,602 |
| Gain on valuation of financial assets at fair value through profit or loss | | (273,027) | (330,851) |
| Loss on reclassification of hedge reserve on maturity | 21 | 144,448 | – |
| Share of profit from equity-accounted associates and joint ventures, net | 12 | (540,401) | (644,706) |
| Impairment of equity-accounted associates and joint ventures | 12 | 294,695 | 257,348 |
| Gain disposal of equity-accounted associates and joint ventures | | (56,393) | (50,207) |
| Gain on disposal of asset classified as held for sale | 7 | (109,438) | – |
| Gain on disposal of subsidiary | 5.3 | – | (129,001) |
| Decrease in fair value of investment property | 22 | 40,791 | 58,361 |
| Dividend from equity-accounted associates and joint ventures | 12 | 25,731 | 17,214 |
| Gain on disposal of investment property | 22 | – | (1,394) |
| Amortisation and write off of intangible assets | 23 | 8,640 | 17,248 |
| Reversal of provision against slow moving inventories | 22 | (52) | (38) |
| Provision for doubtful debts | 23 | 8,158 | 15,914 |
| Investment in asset held for sale and equity-accounted joint venture | 12 | (292,490) | (200,451) |
| Investments in financial assets at FVTPL | | (1,301,196) | (877,493) |
| Loans obtained for financial assets at FVTPL | | 1,094,174 | 238,480 |
| Finance cost paid on loans obtained against financial assets at FVTPL | | (43,492) | (30,154) |
| Proceeds on disposal of asset held for sale | 7 | 245,518 | – |
| Disposal of a subsidiary, net of cash disposed | 5.3 | – | 169,979 |
| Proceeds on disposal of associates and joint ventures, net | | 1,884,528 | – |
| **Changes in working capital:** | | | |
| Change in inventories | | (776) | (1,722) |
| Change in trade and other receivables | | (32,160) | (52,466) |
| Change in trade and other liabilities | | 20,145 | 143,913 |
| **Net cash generated from (used in) operations** | | 1,465,162 | (790,646) |
| Employees' end of service benefits paid | | (6,601) | (5,038) |
| **Net cash generated from/(used in) operating activities** | | 1,458,561 | (795,684) |
| **Cash flows from investing activities** | | | |
| Purchase of intangibles, net | | (1,204) | (3,263) |
| Payments made for development of investment property | | (35,691) | (135,044) |
| Purchase of furniture and equipment, net | | (10,459) | (33,695) |
| Proceeds from finance leases | | 7,494 | 11,718 |
| Wakala deposit redeemed/(placed) | | 25,000 | 5,000 |
| Interest received | | 5,371 | 3,300 |
| **Net cash used in investing activities** | | (9,489) | (151,984) |
| **Cash flows from financing activities** | | | |
| Finance cost paid on borrowings | | (76,085) | (52,963) |
| Loans repaid | 17 | (1,724,733) | (50,016) |
| Loans obtained | 17 | 458,339 | 882,456 |
| Dividends paid | 16 | (321,739) | (367,702) |
| Contributions by non-controlling interest holders, net | | 192,423 | 456,612 |
| Acquisition of non-controlling interests | | (36,932) | – |
| Distributions paid to non-controlling interest holders | | (1,738) | (1,508) |
| **Net cash (used in)/generated from financing activities** | | (1,510,465) | 866,879 |
| **Net decrease in cash and cash equivalents** | | (61,393) | (80,789) |
| Cash and cash equivalents at 1 January | | 490,473 | 571,262 |
| **Cash and cash equivalents at 31 December** | | 429,080 | 490,473 |

The notes numbered 1 to 30 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 44 to 47.

## 1 Legal status and principal activities

Al Waha Capital PJSC (the "Company") is a public joint stock company with limited liability, formed in the Emirate of Abu Dhabi, United Arab Emirates, by Emiri Decree No. 10 dated 20 May 1997 and incorporated on 12 July 1997.

These consolidated financial statements comprise the results and financial position of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities ("associates and joint ventures").

The Group invests in a wide range of sectors, including aviation leasing, financial services, capital markets, maritime, industrial real estate, infrastructure, healthcare, fintech and oil and gas.

## 2 Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable provisions of the Company's law.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the current period consolidated financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### (c) Functional currency and presentation currency

The functional currency of the Company is the US Dollar ("US$"). 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 these consolidated financial statements, the results and financial position of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the Group's presentation currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

### (d) New and revised IFRS

**(i) New and revised IFRSs adopted with no material effect on the consolidated financial statements:**

In the current year, the Group has applied a number of standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018, as follows:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1 and IAS 28 | 1 January 2018 |
| Amendments to IFRS 15 *Revenue from Contracts with Customers* relating to the clarification of the standard and to provide some transition relief for modified contracts and completed contracts | 1 January 2018 |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 |
| Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions | 1 January 2018 |
| Amendments to IAS 40 *Investment Property* | 1 January 2018 |

The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangement.

## 2 Basis of preparation continued

### (d) New and revised IFRS continued

#### (i) New and revised IFRSs adopted with no material effect on the consolidated financial statements: continued

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 11 *Construction Contracts,* IAS 18 *Revenue* and related Interpretations, and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 effective 1 January 2018, which does not have significant impact on the condensed consolidated financial statements of the Group.

*Amendments to IAS 40 Investment Property*

The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The Group adopted IAS 40 effective 1 January 2018, which does not have significant impact on the condensed consolidated financial statements of the Group.

#### (ii) New and revised IFRSs adopted with material effect on the consolidated financial statements

*IFRS 9 Financial Instruments (revisions in 2014)*

During 2014, the Group early adopted IFRS 9 *Financial Instruments* (2013) and the related consequential amendments (IFRS 7 and IAS 39) in advance of its effective date. The Group has chosen 1 July 2014 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities).

Effective 1 January 2018, the Group has adopted IFRS 9 (2014), which mainly includes a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain debt instruments.

The adoption of IFRS 9 (2014) has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

In accordance with IAS 39 and IFRS 9, the carrying amounts as at January 1, 2018 are compared as follows:

| | Original carrying amount under IAS 39 AED'000 | Re-measurement AED'000 | New carrying amounts under IFRS 9 AED'000 |
|---|---|---|---|
| Investments in equity-accounted associates and joint ventures | 5,321,224 | (97,881) | 5,223,343 |
| Trade and other receivables | 539,833 | (10,153) | 529,680 |
| Cash and cash equivalents, net | 490,473 | (787) | 489,686 |
| **Total** | **6,351,530** | **(108,821)** | **6,242,709** |
| Retained earnings | 1,725,713 | (100,666) | 1,625,047 |
| Reserves | (22,763) | (4,337) | (27,100) |
| Non-controlling interests | 789,569 | (3,818) | 785,751 |
| **Total** | **2,492,519** | **(108,821)** | **2,383,698** |

#### (iii) New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS 16 *Leases* | 1 January 2019 |
| Annual Improvements to IFRS Standards 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23 | 1 January 2019 |
| Amendment to IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation | 1 January 2019 |
| IFRIC 23 *Uncertainty over income tax treatments* | 1 January 2019 |
| Amendments to *IAS 28 Investments in Associates and Joint Ventures* regarding application of IFRS 9 Financial Instruments to long-term interests in an associate or joint venture | 1 January 2019 |
| Amendments to IAS 19 *Employee Benefits* Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| IFRS 17 Insurance Contracts | 1 January 2021 |

*IFRS 16 Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for leases pertaining to identified assets controlled by the lessees, which were previously classified as operating leases under IAS 17.

On initial application of IFRS 16, for all leases, the Group will:

(a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of AED 419,672 thousand.

A preliminary assessment indicates that AED 419,096 thousand of these arrangements relate to leases other than short-term leases and leases of low-value assets. Accordingly, the Group will recognise a right-of-use asset of AED 195,674 thousand and a corresponding lease liability of AED 195,674 thousand in respect of all these leases. The impact on profit or loss is to decrease other expenses by AED 16,397 thousand, to increase depreciation by AED 11,833 thousand and to increase interest expense by AED 13,506 thousand.

The preliminary assessment indicates that AED 575 thousand of these arrangements relate to short-term leases and leases of low-value assets.

## 3 Significant accounting policies

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

#### (i) Subsidiaries

Consolidation of a subsidiary is achieved when the Company obtains control over the investee and ceases when the Company loses control of the investee. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the investee.

Profit or loss and each component of other comprehensive income are attributed to the Owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup balances, equity, income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 3 Significant accounting policies continued

### (a) Basis of consolidation continued

#### (i) Subsidiaries continued

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and the liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investments in an associate or a joint venture.

#### (ii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

#### (iii) Investments in equity accounted associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### (iv) Associates designated at FVTPL

Interests in associates that are held as part of the Group's investment portfolio are carried in the consolidated statement of financial position at fair value. IAS 28 *Investments in Associates and Joint Ventures,* allows investments in associates held by venture capital organisations to be designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9, with changes in fair value recognised in the consolidated statement of profit or loss in the period of the change.

### (b) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the non-current asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an equity accounted associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

## 3 Significant accounting policies continued

### (b) Non-current assets held for sale continued

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (refer to note 3 (a)(iii)).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### (c) Furniture and equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. The cost of furniture and equipment is the purchase cost plus any directly attributable cost of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the assets' cost to their residual value over their estimated useful life, on the following basis:

| Description | Estimated useful lives |
|---|---|
| Leasehold improvements | 3 to 5 years |
| IT equipment, furniture and fittings | 3 to 5 years |
| Medical and other equipment | 5 to 7 years |
| Motor vehicles | 3 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of furniture and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 consolidated statement of profit or loss.

### (d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Cost includes all direct costs attributable to bringing the assets to the location and condition necessary for the asset to operate in the manner intended, including related staff costs, design, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

When the assets are ready for intended use, they are transferred from work-in-progress to completed properties. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### (e) Goodwill and intangible assets

#### (i) Goodwill

Goodwill arising upon an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of an equity accounted investee is described at note 3 (a) (iii) above.

#### (ii) Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost), and include trademarks, licenses contracts and software.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets, on the following basis:

| Description | Estimated useful lives |
|---|---|
| Trademarks | 5 to 10 years |
| Licenses | 5 years |
| Contract | 5 years |
| Exclusive rights | 25 years |
| Software | 3 to 5 years |

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (iii) De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### (f) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (g) 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 the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated selling expenses. Allowance for obsolete and slow moving inventory is made to reduce the carrying amount of inventories to their net realisable value.

### (i) Financial instruments

#### (i) Initial recognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument except for "regular way" purchases and sale of financial assets which are recognised on settlement date basis (other than derivative assets).

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Options which are acquired at transaction cost, with a different day one fair value based on unobservable inputs, are initially recognised at fair value; and any differences between fair value and transaction cost are deferred into unearned income, which is recycled into profit and loss account over the life of the options. Any subsequent changes on the re-measurement of fair value are presented in profit and loss account.

## 3 Significant accounting policies continued

### (i) Financial instruments continued

#### (ii) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Debt instruments*

Debt instruments are classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments are measured at amortised cost, net of any write down for impairment, only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest calculated using the effective interest method is recognised in profit or loss and is included in 'Finance cost, net'. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group may choose at initial recognition to designate a debt instrument that otherwise qualifies to be measured at amortised cost or as at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch. All other debt instruments must be measured as at FVTPL.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

*Other financial assets measured at amortised cost*

Trade and other receivables and cash and cash equivalents are measured at amortised cost less any impairment. Interest income is recognised on an effective interest basis, except for short term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents include cash on hand and deposits held with banks for working capital purposes (excluding deposits held under lien) and term deposits of original maturity less than 3 months.

*Equity instruments*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments designated at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 *Revenue from Contracts with Customers*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in 'other income, net' (note 22).

#### (iii) Financial liabilities and equity instruments

*Classification as debt or equity*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*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 as the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

Financial liabilities designated at FVTPL are stated at fair value. Any gains or losses arising on remeasurement of held for trading financial liabilities are recognised in profit or loss. Such gains or losses that are recognised in profit or loss incorporate any interest paid on the financial liabilities and are included in the 'Income from financial investments' line item in the consolidated statement of profit or loss.

However, for non-held for trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance cost, net' line item in the consolidated statement of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### (iv) Reclassification

For financial assets, reclassification is required between FVTPL, FVTOCI and amortised cost; if and only if the Group's business model objective for its financial assets changes so its previous model assessment would no longer apply.

If reclassification is appropriate, it must be done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. The Group does not restate any previously recognised gains, losses, or interest.

Reclassification is not allowed for:

- equity investments measured at FVTOCI, or
- where the fair value option has been exercised in any circumstance for a financial asset or financial liability.

### (v) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in:

- Profit or loss, for securities measured at amortised cost or FVTPL, or
- Other comprehensive income, for investments at FVTOCI. At the time of derecognition of FVTOCI investment any revaluation reserve is transferred to retained earnings.

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

### (vi) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

## 3 Significant accounting policies continued

### (i) Financial instruments continued

#### (vi) Offsetting continued

The Group is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but, where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented on a gross basis.

#### (vii) Repurchase and reverse repurchase contracts

Securities sold subject to a commitment to repurchase them at a predetermined price at a specified future date (repos) continue to be recognised in the consolidated statement of financial position and a liability is recorded in respect of the consideration received under borrowings. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position. Amounts placed under these agreements are included in 'Reverse-repo contracts' within 'Financial investments'.

#### (viii) Foreign exchange gains and losses

The fair value of financial assets and liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets and liabilities that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that are equity instruments and designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial assets and liabilities measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'Income from financial investments' line item in the consolidated statement of profit or loss.

#### (ix) Derivative financial instruments

The Group enters into a variety of derivative financial instruments, including equity price collars, foreign exchange forward contracts and interest rate swaps to manage its exposure to equity price, interest rate and foreign exchange rate risks. In addition, the Group acquired options and warrants (the Options), pursuant to which the Group can increase its ownership stake in equity accounted associates and joint ventures. Further details of derivative financial instruments are disclosed in note 13.

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit immediately unless: (i) the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship or (ii) the derivative is capitalised as unearned income and subsequently recognised in profit or loss over the life of the options and warrants.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

#### (x) Hedge accounting

The Group has designated its equity price collars, in respect of its cash flow risk resulting from changes in equity price on a forecasted sale of equity accounted investee, as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

*Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in "other income, net".

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item. If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the revaluation reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until the future cash flows occur; if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

When the Group separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of the option, it recognises some or all of the change in the time value in other comprehensive income which is later removed or reclassified from equity as a single amount or on an amortised basis (depending on the nature of the hedged item) and ultimately recognised in profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group will adjust the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

(xi) Impairment of financial assets

The adoption of IFRS 9 in the current year has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

*Policy applicable until 31 December 2017*

Prior to the adoption of IFRS 9 in the current year, the Group assessed for impairment its financial assets for the comparative year as required by IAS 39.

Under IAS 39, financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Under IAS 39, objective evidence of impairment could include:

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

For certain categories of financial 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 of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, 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.

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

*Policy applicable from 01 January 2018*

Under IFRS 9, the Group recognises a loss allowance for expected credit losses on financial assets. No impairment loss is recognised for investments in equity instruments which are carried at FVTPL. The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for its trade and other receivables, including subsidiaries. Further, the Group applies the general approach for all other financial assets carried at amortised cost.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

## 3 Significant accounting policies continued

### (i) Financial instruments continued

#### (xi) Impairment of financial assets continued

*Significant increase in credit risk continued*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of financial assets at amortised cost, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default for financial assets is represented by the assets' gross carrying amount at the reporting date.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals, if applicable; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment amount in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for expected credit losses account.

## (j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items 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 retranslated 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. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

## (k) Revenue recognition

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

### (i) Sale of goods and services

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Revenue from services primarily represents the aggregate invoiced amount for medical services provided to patients (insured and non-insured) during the year and is stated net of any discounts allowed. Revenue is recognised in the accounting period in which the services are provided.

### (ii) Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income 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.

### (iii) Rental income

The Group's policy for recognition of revenue from operating leases is described in note (l) below.

### (iv) Capital markets transactions

The Group has arranged debt capital financing on behalf of its clients for the acquisition of high value items, such as vessels and aircraft. The Group earns income from arranging, advising on and administering such transactions, which are accounted for in accordance with IFRS 15 *Revenue from Contracts with Customers*. Fee income earned from the provision of services is recognised as revenue when the services are performed.

## (l) 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.

### (i) The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

### (ii) The Group as lessee

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

## 3 Significant accounting policies continued

### (l) Leasing continued

#### (ii) The Group as lessee continued

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3 (n) below). Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### (m) Employee benefits

The provision for employees' end of service benefit is calculated in accordance with the UAE Federal Labour Law and is recognised as an expense in the consolidated statement of profit and loss on an accrual basis.

Pension contribution for GCC nationals is recognised as an expense in the consolidated statement of profit and loss on an accrual basis.

Liabilities recognised in respect of other long-term employee benefits, included in trade and other liabilities, are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

### (n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (o) Government grants

The Group believes that, in most cases, when land is initially received through government grants, the probability that future economic benefits will flow to the Group is uncertain, since, until the Group has established plans to utilise the land, it is possible that such land may revert back to the government. In addition, in the absence of identified use of the land, the amount of future economic benefits cannot be determined with reasonable certainty. Accordingly, land so received is not initially recognised in the consolidated financial statements until certain events occur, which enable management to conclude that it becomes probable that future economic benefits will flow to the Group from its ownership of such land.

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements. The determination of whether future economic benefits will flow to the Group is made by management using guidelines approved by the Board of Directors; each such determination is also approved by the Board of Directors. Once the determination is made, land is recognised in the financial statements at nominal value.

At the point of such initial recognition, and subsequently, at each reporting date, an assessment is made by the Group as to the ultimate use of the land, and based on such assessment, the land is transferred to the relevant asset category (such as investment property, property, plant and equipment or inventory) depending on its intended use, and is thereafter accounted for using the accounting policy in place for that relevant asset category.

### (p) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit after tax is transferred at the end of each financial year to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital.

## 4 Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

### (a) Key sources of estimation uncertainty

#### (i) Investment property valuation

The Group's investment properties are revalued at the end of the reporting period by accredited independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated consideration that would be exchanged at an arms' length transaction between knowledgeable market participants at measurement date.

In the absence of reliable estimates of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated future cash flows expected to be received from the property.

Accordingly, for existing and planned small industrial unit the valuation is based on income capitalization approach which assumes projected rental streams capitalised at appropriate rates to reflect the market conditions; whereas for serviced land the valuation is based on residual value method which requires the use of expected sales price, construction cost, professional fees, financing cost and targeted internal rate of return. Based on the revaluation, a fair value decrease of AED 40,792 thousand was recognised in the current year (2017: decrease of AED 58,361 thousand). The key estimates used in the fair valuation of the investment properties are disclosed in note 9.

#### (ii) Impairment of equity-accounted associates and joint ventures

The investment in equity accounted associates was tested for potential impairment, by comparing its carrying amount and recoverable amount.

The investment in AerCap Holdings NV was tested for impairment following the evidence of a prolonged period of its share price trading at reducing multiple, among other relevant factors. The recoverable amount was determined using the higher of its fair value less cost to sell and value in use, considering successive settlements of the Group's equity price collars in AerCap shares when due, at an estimated exit multiple with a discount rate equivalent to Group's cost of capital.

The recoverable amount of another associate was determined using level 3 valuation techniques, including the forward industry standard multiples applied to the investees' EBITDA and Enterprise Value.

Based on estimates of recoverable amount developed in accordance with these assumptions, an impairment of AED 294,695 thousand was recognised (2017: AED 257,348 thousand).

#### (iii) Impairment of goodwill

Goodwill arising from the acquisition of Anglo Arabian Healthcare and its subsidiaries was tested for impairment during the year. The critical estimates involved are disclosed in note 10.

#### (iv) Allowance for expected credit losses

The Group has estimated the recoverability of trade and other receivables, and loan investments and has considered the allowance required for Expected Credit Losses ("ECL").

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for its trade and other receivables, including subsidiaries. Further, the Group applies the general approach for all other financial assets carried at amortised cost.

ECL are measured as an allowance equal to 12 months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

#### (v) Fair value of financial instruments

The Group has financial assets and liabilities that are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value of various financial assets and liabilities are disclosed in note 28.

### (b) Critical accounting judgements

#### (i) Possibility of future economic benefits from land received as government grant

Refer to note 3 (o) for a description of judgements used to ascertain the possibility of future economic benefits from land received as government grant.

#### (ii) Significant influence over AerCap Holdings NV ("AerCap") and National Energy Services Reunited Corp ("NESR")

The Group holds two seats on AerCap's Board of Directors, as well as representation on the various Board sub-committees on which it currently serves in addition to its 12.00% equity ownership. Accordingly, the Group's investment in AerCap is classified as an equity-accounted associate.

On 25th October 2018, the Group reassessed its significant influence in NESR based on developments in the Group's arrangements with management and board of directors during Q4 2018. Based on these developments, the Group concluded that it now has the ability to demonstrate significant influence to participate in the financial and operating policy decisions of the investee. Accordingly, investment in NESR was reclassified from FVTPL financial asset to equity accounted associate (refer note 12).

#### (iii) Indemnity provided upon disposal of a subsidiary

On 15 February 2017, the Group through its UAE healthcare subsidiary, Anglo Arabian Healthcare Investment (AAH), has entered into a share purchase agreement with an unrelated company to sell its entire 93% equity stake in Proficiency Healthcare Diagnostic LLC (PHD), which was completed on 6 December 2017.

Pursuant to the completion of the transaction, AAH has indemnified certain amounts to the buyer of PHD, which could vary up to 50% and 75% of the proceeds, under certain events for a limited period. This indemnity is backed by a comfort letter issued by the Company in the event that the net asset value of AAH falls below the indemnity threshold. At the end of the reporting period, management believe the occurrence of such certain events to be remote.

#### (iv) Initial recognition of options and warrants related to Petronash

Further to the acquisition of Petronash, the Group also acquired additional rights in the form of options and warrants (the Options) on zero-cost basis, pursuant to which the Group can increase its ownership up to 50% and are classified as financial assets measured at FVTPL. Since the day 1 fair value was derived using unobservable inputs, the fair value at initial recognition was deferred as Unearned Income and is recycled into profit and loss account over the life of the Options. On subsequent re-measurement, the change in fair value is recognised into profit and loss account.

## 5 Composition of the Group

### 5.1 Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

| Subsidiary | Country of incorporation | Principal activity | Group's shareholding 2018 | Group's shareholding 2017 |
|---|---|---|---|---|
| **Private Investments** | | | | |
| Waha AC Cooperatief U.A.[1] | Netherlands | Investment in AerCap | **100%** | 100% |
| Al Waha Land LLC | UAE | Industrial Real Estate | **100%** | 100% |
| Anglo Arabian Healthcare Investments LLC | UAE | Healthcare | **95.2%** | 90.1% |
| Waha VAS Limited[2] | Cayman Islands | Investment in Channel VAS | **100%** | – |
| Waha Energy Limited[3] | Cayman Islands | Energy | **100%** | – |
| **Asset Management** | | | | |
| Waha Investment PrJSC | UAE | Investment manager | **100%** | 100% |
| Waha Investment Management Company SPC[4] | Cayman Islands | Financial investments | **100%** | 100% |
| Oasis Investment No 1 Limited | Cayman Islands | Private financial transactions | **100%** | 100% |
| Oasis Investment No 2 Limited | Cayman Islands | Private financial transactions | **100%** | 100% |

[1] Holding Company carrying an investment in AerCap (note 12).

[2] Holding Company carrying an investment in Channel VAS (note 12).

[3] Holding Company carrying special purpose vehicles for investments in SDX Energy Inc., NESR Corp and Petronash Global Limited (note 12 and 13).

[4] Waha Investment Management Company SPC owns 99.8% of Waha MENA Value Fund SP (2017: 99.1%), 52.0% of Waha MENA Equity Fund SP (2017: 54.9%), and 66.0% of Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed Income Fund SP) (2017: 66.6%).

### 5.2 Details of subsidiaries with material non-controlling interests

#### 5.2a Waha Investment Management Company SPC

Summarised financial information in respect of Waha Investment Management Company SPC is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| **Statement of financial position** | | |
| Total assets – current | **5,103,094** | 3,729,287 |
| Total liabilities – current | **(2,601,814)** | (1,622,247) |
| Non-controlling interests[1] | **(961,634)** | (747,402) |
| **Equity attributable to the Owners of the Company** | **1,539,646** | 1,359,638 |

[1] Movement in non-controlling interests include a) investments into Waha MENA Equity Fund SP of AED 142,471 thousand (2017: AED 211,662 thousand); b) investments into Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed Income Fund SP) of AED 36,958 thousand (2017: AED 217,870 thousand) c) redemption into Waha MENA Value Fund SP of AED 1,598 thousand (2017: investment of AED 2,078).

Movement in equity attributable to the Owners of the Company include investments into a) Waha MENA Equity Fund SP of AED 66,204 thousand (2017: AED nil) and the Group's ownership decreased from 54.9% to 52.0%; b) Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed Income Fund SP) of AED 44,136 thousand (2017: AED nil) and the Group's ownership decreased from 66.6% to 66.0%. There were no investments during the year from the Group into Waha MENA Value Fund but the Group's ownership increased from 99.1% to 99.8% driven by the impact of redemption of AED 1,598 thousand in non-controlling interest.

| | Year ended 31 December 2018 AED '000 | Year ended 31 December 2017 AED '000 |
|---|---|---|
| **Statement of profit or loss** | | |
| Income from financial investments | 192,682 | 268,426 |
| Expenses | (52,338) | (50,723) |
| **Profit for the year** | 140,344 | 217,703 |
| Profit attributable to Owners of the Company | 103,944 | 169,633 |
| Profit attributable to the non-controlling interests | 36,400 | 48,070 |
| **Profit for the year** | 140,344 | 217,703 |
| **Statement of cash flows** | | |
| Net cash outflow from operating activities | (226,898) | (617,012) |
| Net cash inflow from financing activities | 290,297 | 479,679 |
| **Net cash inflow/(outflow)** | 63,399 | (137,333) |

### 5.2b Anglo Arabian Healthcare Investments LLC

Anglo Arabian Healthcare Investments LLC ("AAH") is a holding company for the Group's 70% ownership interest in Sharjah Corniche Hospital LLC ("SCG") and Health Bay Polyclinic (2017: 70%), 60% in Ibn Sina Medical Centre LLC and Oras Medical Center LLC (2017: 60%), 100% in AAH Services FZ LLC (2017: 100%), 73% in Amina Hospital LLC (2017: 60%) and 80% in IVF Investment LLC (2017: 80%).

The Group, through its healthcare subsidiary – AAH – acquired an additional stake of 13.2% in Amina Hospital LLC, which increased AAH's beneficial ownership from 60.0% to 73.2%, for a purchase consideration equivalent to the carrying value of loan advanced to a minority shareholder which matured on 31 December 2018. Accordingly, the date of maturity of loan is considered as the acquisition date for business combination purposes:

| | AED '000 |
|---|---|
| **Consideration transferred** | |
| Principal loan to a minority shareholder | 12,522 |
| Accrued interest on loan to a minority shareholder | 5,290 |
| | 17,812 |
| **Net assets at acquisition date** | |
| Intangible assets | 202 |
| Plant, machinery and equipment | 18,477 |
| Due from related parties | 2,281 |
| Trade and other receivables | 35,414 |
| Inventory | 4,184 |
| Cash | 844 |
| Mudaraba loan from a related party | (55,998) |
| Employees' end of service provision | (2,632) |
| Trade and other payables | (25,246) |
| Due to related parties | (15,733) |
| | (38,207) |
| Additional shareholdings acquired | 13.2% |
| **Net assets acquired** | (5,043) |
| **Loss on acquisition** | (22,855) |

Any gain or loss incurred on acquisition or disposal of partial stake in a consolidated subsidiary is recorded directly into retained earnings.

## 5 Composition of the Group continued

### 5.2 Details of subsidiaries with material non-controlling interests continued

#### 5.2b Anglo Arabian Healthcare Investments LLC continued

Summarised financial information in respect of AAH is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | **179,079** | 195,999 |
| Current assets | **118,372** | 270,134 |
| Total liabilities | **(96,749)** | (85,651) |
| Non-controlling interests [1] | **(997)** | (16,127) |
| **Equity attributable to the Owners of the Company** | **199,705** | 364,355 |

[1] Movement in non-controlling interests include contributions of non-controlling interest holders' share of investment amounting to AED 9,549 thousand (2017: AED 20,674 thousand).

| | Year ended 31 December 2018 AED '000 | Year ended 31 December 2017 AED '000 |
|---|---|---|
| **Statement of profit or loss** | | |
| Revenue | **261,293** | 293,904 |
| Gain on disposal of a subsidiary | **–** | 124,723 |
| Expenses | **(315,446)** | (369,725) |
| **(Loss)/profit for the year** | **(54,153)** | 48,902 |
| (Loss)/profit attributable to Owners of the Company | **(32,338)** | 73,937 |
| Loss attributable to the non-controlling interests | **(21,815)** | (25,035) |
| **(Loss)/profit for the year** | **(54,153)** | 48,902 |
| **Statement of cash flows** | | |
| Net cash outflow from operating activities | **(54,830)** | (67,164) |
| Net cash inflow from investing activities | **15,979** | 146,256 |
| Net cash (outflow)/inflow from financing activities | **(109,312)** | 90,188 |
| **Net cash (outflow)/inflow** | **(148,163)** | 169,280 |

### 5.3 Disposal of a subsidiary

On 15 February 2017, the Group through its UAE healthcare subsidiary, Anglo Arabian Healthcare Investment (AAH), has entered into a share purchase agreement with an unrelated company to sell its entire 93% equity stake in Proficiency Healthcare Diagnostic LLC (PHD), which was completed on 6 December 2017.

Pursuant to the completion of the transaction, AAH has indemnified certain amounts to the buyer of PHD, which could vary up to 50% and 75% of the proceeds, under certain events for a limited period. This indemnity is backed by a comfort letter issued by the Company in the event that the net asset value of AAH falls below the indemnity threshold. At the end of the reporting period, management believe the occurrence of such certain events to be remote.

| | 6 December 2017<br>AED '000 |
|---|---|
| **Analysis of assets and liabilities over which control was lost** | |
| **Current assets** | |
| Cash and cash equivalents | 1,166 |
| Trade and other receivables | 37,844 |
| Inventories | 3,479 |
| **Non-current assets** | |
| Goodwill | 7,550 |
| Intangible assets | 26,063 |
| Furniture and equipment | 3,801 |
| **Current liabilities** | |
| Trade and other liabilities | (22,833) |
| **Non-current liabilities** | |
| End of service benefit provision | (2,224) |
| Borrowings | (10,112) |
| Net assets disposed | 44,734 |
| **Gain on disposal of a subsidiary** | |
| Consideration received | 171,145 |
| Net assets disposed | (44,734) |
| Non-controlling interests | 2,590 |
| Gain on disposal | 129,001 |
| Transaction costs | (4,524) |
| Net gain on disposal | 124,477 |
| **Net cash inflow on disposal of a subsidiary** | |
| Consideration received in cash and cash equivalents | 171,145 |
| Less: cash and cash equivalent balances disposed | (1,166) |
| | 169,979 |

## 6 Operating segments

During the year, the Group realigned its operating segments following developments in key responsibilities of management and internal reporting. Following the realignment, the Principal Investments and Private Equity segment that holds the Group's healthcare investment, AAH, were grouped under one segment called Private Investments. Comparative periods were restated accordingly.

*Private Investments*
The Private Investments segment holds all of the Group's proprietary investments in diversified industries including aviation leasing, maritime, financial services, infrastructure, oil and gas, fintech, industrial real estate and healthcare.

*Asset Management – Capital Markets*
The Asset management – Capital Markets segment represents a platform to provide investors access to opportunities in equities and other asset management services.

*Corporate*
The corporate segment comprises the Group's activities, which are not allocated to reportable segments.

## 6 Operating segments continued

Information related to the operating segments is mentioned below as at and for the year ended 31 December:

| | Private Investments AED '000 | Asset Management: Capital Markets AED '000 | Corporate AED '000 | Consolidated AED '000 |
|---|---|---|---|---|
| **2018** | | | | |
| Revenue from sale of goods and services | 291,330 | – | – | 291,330 |
| Cost of sales | (220,031) | – | – | (220,031) |
| Share of profit from investment in equity-accounted investees, net | 540,400 | – | – | 540,400 |
| Impairment of equity-accounted associates and joint ventures | (294,695) | – | – | (294,695) |
| Gain on disposal of equity-accounted associates and joint ventures | 56,393 | – | – | 56,393 |
| Gain on disposal of a subsidiary | 109,438 | – | – | 109,438 |
| (Loss)/income from financial investments | (103,574) | 232,153 | – | 128,579 |
| Other income, net | 23,235 | 410 | 6 | 23,651 |
| Impairment of investment property | (40,792) | – | – | (40,792) |
| General and administrative expenses – parent | (13,752) | (16,578) | (99,222) | (129,552) |
| General and administrative expenses – subsidiaries | (136,357) | (8,863) | – | (145,220) |
| Finance cost, net | (43,762) | (42,109) | (69,800) | (155,671) |
| **Profit/(loss) for the year** | 167,833 | 165,013 | (169,016) | 163,830 |
| **Other comprehensive income** | 506,602 | – | – | 506,602 |
| **2017 (restated)** | | | | |
| Revenue from sale of goods and services | 318,372 | – | – | 318,372 |
| Cost of sales | (227,497) | – | – | (227,497) |
| Share of profit from investment in equity-accounted investees, net | 644,706 | – | – | 644,706 |
| Impairment of equity-accounted associates and joint ventures | (257,348) | – | – | (257,348) |
| Gain on disposal of equity-accounted associates and joint ventures | 50,207 | – | – | 50,207 |
| Gain on disposal of a subsidiary | 124,477 | – | – | 124,477 |
| Income from financial investments | 44,632 | 268,264 | – | 312,896 |
| Other income, net | 19,228 | – | 7 | 19,235 |
| Impairment of investment property | (58,361) | – | – | (58,361) |
| General and administrative expenses – parent | (20,186) | (23,204) | (126,952) | (170,342) |
| General and administrative expenses – subsidiaries | (169,916) | (7,285) | – | (177,201) |
| Finance cost, net | (51,805) | (27,000) | (46,378) | (125,183) |
| **Profit/(loss) for the year** | 416,509 | 210,775 | (173,323) | 453,961 |
| **Other comprehensive loss** | (548,954) | – | – | (548,954) |

Segment income reported above represents income generated from external customers. There was no inter-segment income during the year (2017: AED nil). All revenues are generated from sales of goods and services within the UAE. Included in revenue from sales of goods and services are revenues of approximately AED 28,632 thousand (2017: AED 68,088 thousand) which arose from the Group's largest customer. Only one other single customer contributed 10% or more to the Group's revenue for 2018 while no other single customer contributed 10% or more to the Group's revenue for 2017.

During the year, the Group recognised an impairment loss of AED 294,695 thousand (2017: AED 257,348 thousand) on investments in equity accounted investees, and a fair value loss of AED 40,792 thousand (2017: AED 58,361 thousand) on investment properties in the Private Investments segment.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration cost amounting to AED 216,145 thousand (2017: AED 226,703 thousand). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

| | Private Investments AED '000 | Asset Management<br>Capital Markets AED '000 | Corporate AED '000 | Consolidated AED '000 |
|---|---|---|---|---|
| **2018** | | | | |
| Investment in equity-accounted associates and joint ventures | 4,200,967 | – | – | 4,200,967 |
| Other assets | 1,792,026 | 5,475,239 | 203,177 | 7,470,442 |
| Segment assets | 5,992,993 | 5,475,239 | 203,177 | 11,671,409 |
| Segment liabilities | 2,949,714 | 2,939,021 | 1,232,744 | 7,121,479 |
| Capital expenditures | 47,115 | 34 | 1,505 | 48,654 |
| Depreciation and amortisation | 19,448 | 49 | 1,766 | 21,263 |
| **2017 (restated)** | | | | |
| Investment in equity-accounted associates and joint ventures | 5,321,224 | – | – | 5,321,224 |
| Other assets | 1,745,352 | 4,142,608 | 145,158 | 6,033,118 |
| Segment assets | 7,066,576 | 4,142,608 | 145,158 | 11,354,342 |
| Segment liabilities | 3,979,566 | 2,013,423 | 1,191,503 | 7,184,492 |
| Capital expenditures | 179,254 | 1,331 | 544 | 181,129 |
| Depreciation and amortisation | 22,275 | 4,580 | 2,920 | 29,775 |

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than corporate assets of AED 203,177 thousand (2017: AED 145,158 thousand)
- All liabilities are allocated to operating segments other than corporate liabilities of AED 1,232,744 thousand (2017: 1,191,503 thousand)

## 7 Asset classified as held for sale

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| As at 1 January | 219,480 | – |
| Investment in equity-accounted associate reclassified as held for sale | – | 283,606 |
| Additions | 1,725 | – |
| Disposal | (221,205) | (64,126) |
| | – | 219,480 |

On 12 November 2017, the Group agreed to sell the entire investment in NPS Holdings Limited for a combination of cash and 5.8% equity stake in a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR), in two stages. As a result, the investment was reclassified as held for sale. The first stage exit, representing 4.68% was completed and a gain on partial disposal amounting to AED 50,207 thousand was recognised during Q4 2017.

## 7 Asset classified as held for sale continued

During 2018, the Group completed the second stage exit of the remaining 15.94% stake and recognised a gain on disposal amounting to AED 109,438 thousand, calculated as follows:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Cash consideration | **130,640** | 114,241 |
| Equity shares consideration [1] | **181,687** | – |
| Earn-out consideration [2] | **17,340** | – |
| Total consideration | **329,667** | 114,241 |
| Share of other reserves | **976** | 92 |
| Carrying amount of investment disposed | **(221,205)** | (64,126) |
| Gain on disposal | **109,438** | 50,207 |

[1] On 6th June 2018, as part of the disposal proceeds, the Group received 4.8 million shares, equivalent to 5.8% stake in NESR. Upon initial recognition, the investment in NESR was classified as financial investment at $10/share and measured at FVTPL.

Subsequently, on 25th October 2018, the Group reassessed its significant influence in NESR based on developments in the Group's arrangements with management and board of directors during Q4 2018. Based on these developments, the Group concluded that it now has the ability to demonstrate significant influence to participate in the financial and operating policy decisions of the investee. Accordingly, investment in NESR was reclassified from FVTPL financial asset to equity accounted associate (refer note 12).

[2] Based on the provisional re-assessment of earn-out criteria based on the pro-forma results, an additional consideration in the form of equity shares in NESR was recognised at the reporting date, which is expected to be finalised during 2019.

## 8 Furniture and equipment

| | Leasehold improvements AED '000 | IT equipment, furniture and fittings AED '000 | Medical and other equipment AED '000 | Motor vehicles AED '000 | Capital work in progress AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|
| Useful economic lives (years) | **3-5** | **3-5** | **5-7** | **3** | **–** | |
| Cost | | | | | | |
| At 1 January 2017 | 24,728 | 31,133 | 62,642 | 2,885 | 15,028 | 136,416 |
| Additions | 1,059 | 4,417 | 18,082 | 195 | 9,983 | 33,736 |
| Transfers | – | 1,447 | – | – | (1,447) | – |
| Disposals | (58) | (329) | – | (126) | – | (513) |
| Derecognised on disposal of a subsidiary | (2,430) | (3,554) | (4,759) | (540) | – | (11,283) |
| At 31 December 2017 | 23,299 | 33,114 | 75,965 | 2,414 | 23,564 | 158,356 |
| Additions | 2,513 | 3,833 | 4,204 | 1,119 | – | 11,669 |
| Transfers | 21,509 | – | 1,963 | – | (23,472) | – |
| Disposals | (706) | (114) | (1,284) | (733) | – | (2,837) |
| At 31 December 2018 | **46,615** | **36,833** | **80,848** | **2,800** | **92** | **167,188** |
| Accumulated depreciation and impairment | | | | | | |
| At 1 January 2017 | 18,799 | 18,452 | 26,446 | 2,403 | – | 66,100 |
| Charge for the year [1] | 2,390 | 4,967 | 9,677 | 642 | – | 17,676 |
| Disposals | (47) | (299) | – | (126) | – | (472) |
| Derecognised on disposal of a subsidiary | (1,686) | (2,603) | (2,684) | (509) | – | (7,482) |
| Balance at 31 December 2017 | 19,456 | 20,517 | 33,439 | 2,410 | – | 75,822 |
| Charge for the year [1] | 3,808 | 4,906 | 10,684 | 900 | – | 20,298 |
| Disposals | (252) | (20) | (818) | (537) | – | (1,627) |
| Balance at 31 December 2018 | **23,012** | **25,403** | **43,305** | **2,773** | **–** | **94,493** |
| Net carrying amount | | | | | | |
| At 31 December 2018 | **23,603** | **11,430** | **37,543** | **27** | **92** | **72,695** |
| As at 31 December 2017 | 3,843 | 12,597 | 42,526 | 4 | 23,564 | 82,534 |

[1] Depreciation expense of AED 7,840 thousand is included in "Cost of sales of goods and services" (2017: AED 5,087 thousand) and AED 12,458 thousand is included in "General and Administrative expenses" (2017: AED 12,589 thousand).

## 9 Investment property

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| At 1 January | **758,666** | 680,569 |
| Additions | **35,692** | 144,179 |
| Fair value loss | **(40,792)** | (58,361) |
| Transfer to investment in finance leases [1] | **–** | (7,721) |
| At 31 December | **753,566** | 758,666 |

[1] During 2017, a long term Musataha agreement was signed on a portion of investment property. A gain of AED 1,394 thousand was recognised in 'other income, net' upon derecognition of the investment property (note 22).

The Group has recognised a portion of the land granted in the consolidated financial statements by applying the accounting policy with respect to government grants (refer to note 3 (o)) and investment properties (refer to note 3 (d)). The land grant related to the portion of land for which the Group has no development plans, remains unrecognised on the balance sheet as at reporting date.

Additions to investment property represents value of the work certified relating to the development of planned small industrial units, which included borrowing costs amounting to AED 5,707 thousand (2017: AED 2,958 thousand).

The investment property is categorised into level 3 of the fair value hierarchy based on the inputs to the valuation technique accepted by the Royal Institute of Chartered Surveyors. The valuation, as of 31 December 2018, was performed by accredited independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. In estimating the fair value, the current use of the property was deemed to be its highest and best use. Valuation methodologies considered by the independent appraisers include:

- The Income Capitalisation Approach, used for existing and planned small industrial units, where income receivable under comparable leases, existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation date.
- The Residual Value Method, used for serviced land, which requires the use of estimates such as sale price, construction costs, professional fees, financing cost and targeted internal rate of return. These estimates are based on local market conditions existing at the end of the reporting period.

Considering the continuous increase in supply in the industrial real estate market, the valuation of the investment property within Phase 1 was reassessed. Based on the revaluation, a fair value decrease of AED 40,792 thousand was recognised in the current year (2017: decrease of AED 58,361 thousand).

For existing small industrial units, an increase/decrease of 10% in rental income would have increased/decreased the valuation by AED 39,742 thousand. Further, a capitalisation rate of 10.25% was assumed, an increase/decrease of 1% of which would have (decreased)/increased the valuation by AED (4,855) thousand/AED 4,952 thousand, respectively.

For serviced land, an increase/decrease of 10% in sale price would have increased/decreased the valuation by AED 28,976 thousand, respectively. Further, a discount rate of 20% was assumed, an increase/decrease of 2% of which would have (decreased)/increased the valuation by AED (10,889) thousand/AED 11,677 thousand, respectively.

## 10 Goodwill and intangible assets

| | Goodwill[1] AED '000 | Trademarks AED '000 | Licences AED '000 | Contract AED '000 | Exclusive rights AED '000 | Software AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|---|
| Useful economic lives (years) | – | 5-10 | 5 | 5 | 25 | 3-5 | |
| **Cost** | | | | | | | |
| At 1 January 2017 | 91,735 | 28,344 | 8,176 | 25,589 | 28,433 | 12,926 | 195,203 |
| Additions | – | – | – | – | – | 3,214 | 3,214 |
| Write-offs | – | – | – | – | – | (6,850) | (6,850) |
| Derecognised on disposal of a subsidiary | (7,550) | – | (8,176) | – | (28,433) | – | (44,159) |
| At 31 December 2017 | 84,185 | 28,344 | – | 25,589 | – | 9,290 | 147,408 |
| Adjustment | – | – | – | – | – | 1,505 | 1,505 |
| Additions | – | – | – | – | – | 2,037 | 2,037 |
| Write-offs | – | – | – | – | – | (2,338) | (2,338) |
| **At 31 December 2018** | **84,185** | **28,344** | **–** | **25,589** | **–** | **10,494** | **148,612** |
| **Accumulated amortisation and impairment** | | | | | | | |
| At 1 January 2017 | – | 7,179 | 5,995 | 10,662 | 2,059 | 6,555 | 32,450 |
| Adjustments | – | – | – | – | (57) | 8 | (49) |
| Amortisation expense | – | 3,167 | 1,500 | 5,118 | 1,049 | 2,368 | 13,202 |
| Write-offs | – | – | – | – | – | (2,804) | (2,804) |
| Derecognised on disposal of a subsidiary | – | – | (7,495) | – | (3,051) | – | (10,546) |
| Balance at 31 December 2017 | – | 10,346 | – | 15,780 | – | 6,127 | 32,253 |
| Adjustments | – | – | – | – | – | 68 | 68 |
| Amortisation expense | – | 2,772 | – | 5,118 | – | 880 | 8,770 |
| Write-offs | – | – | – | – | – | (198) | (198) |
| **At 31 December 2018** | **–** | **13,118** | **–** | **20,898** | **–** | **6,877** | **40,893** |
| **Net carrying amount** | | | | | | | |
| **At 31 December 2018** | **84,185** | **15,226** | **–** | **4,691** | **–** | **3,617** | **107,719** |
| At 31 December 2017 | 84,185 | 17,998 | – | 9,809 | – | 3,163 | 115,155 |

[1] Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Affordable care
- Premium care

The carrying amount of goodwill was allocated to cash-generating units as follows:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Affordable care | **41,423** | 41,423 |
| Premium care | **42,762** | 42,762 |
| | **84,185** | 84,185 |

During 2017, the operating assets under AAH were grouped into two market driven cash-generating units, Affordable care and Premium care, which enabled a focused approach from the customer and management's perspective. Pursuant to this operational restructuring, all the significant activities, including key decision making, support functions, performance measurement, budgeting and planning, were centralised to the aforementioned cash-generating units.

The recoverable amounts of Affordable care and Premium care cash-generating units were determined based on level 3 fair value calculation which uses cash flow projections based on a business plan approved by the directors covering a 5 year period, and a discount rate of 13% to 14% per annum (2017: 13% to 14% per annum) for Affordable care and 13% to 14% per annum (2017: 13% to 14% per annum) for Premium care. Cash flow projections during the period are based on the gross margins and direct costs price inflation throughout the projection period which are in line with the respective industries in which Affordable care and Premium care operates. The cash flows beyond that five year period have been extrapolated using a 3% (2017: 3%) per annum growth rate which is the projected long term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based, would not cause the aggregate carrying amount to exceed the recoverable amounts of the cash generating units.

## 11 Loan investments

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Loan to an equity accounted investee [1] | 12,283 | 12,283 |
| Loan portfolio [2] | 220,680 | 220,680 |
| | 232,963 | 232,963 |

[1] The equity accounted investee is based in the Middle East region. The loan is a stage 3 asset and has a net balance of AED 12,283 thousand (gross balance of AED 33,609 thousand and ECLs of AED 21,326 thousand) (refer note 25).

[2] Loan portfolio is based outside UAE, carries an interest of 3.93% per annum and matures beyond one year. The loan portfolio is a stage 1 asset.

## 12 Investments in associates and joint ventures

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Carrying amount | | |
| Equity-accounted associates | 3,550,187 | 4,938,888 |
| Equity-accounted joint ventures | 650,780 | 382,336 |
| Total equity-accounted associates and joint-ventures | 4,200,967 | 5,321,224 |
| Associate carried at FVTPL (note 13) | 66,333 | 109,691 |

### 12.1 Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

| | | | Beneficial shareholding | |
|---|---|---|---|---|
| Associate | Principal activity | Country of incorporation | 2018 | 2017 |
| AerCap Holdings NV ("AerCap") [1] | Aircraft leasing | Netherlands | 12.00% | 17.55% |
| SDX Energy Inc. ("SDX") [2] | Oil and gas services | Canada | 19.50% | 19.39% |
| NPS Holdings Limited [3] | Oil and gas services | United Arab Emirates | – | 15.94% |
| NESR Corp [4] | Oil and gas services | United States | 5.80% | – |

[1] Investment in AerCap Holdings NV is carried under equity accounting method.

During the year, the Group disposed of 9.72 million shares equivalent to 6.36% stake in its equity accounted associate investment in AerCap Holdings N.V. ("AerCap") for a consideration of AED 1,918,056 thousand, resulting in the recognition of gain on disposal of AED 56,393 thousand in the consolidated statement of profit or loss. Consequently, the Group's stake in AerCap reduced from 17.55% to 11.19%.Further, the Group did not participate in the share buyback plan, which resulted into increasing the beneficial ownership from 11.19% to 12.00%.

[2] During 2018, the Group, through its 100% subsidiary Waha Energy Limited, acquired an additional 0.11% equity stake in SDX, taking its aggregated ownership to 19.50%. Given the Group's representation on the Board of SDX, the investment was classified as an Associate. However, since the investment is carried as part of the Group's venture capital activities, it is accounted for at FVTPL (note 13).

[3] On 12 November 2017, the Group agreed to sell the entire investment in NPS Holdings Limited for a combination of cash and 5.8% equity stake in a NASDAQ-listed entity, NESR, in two stages. As a result, the investment in NPS Holdings Limited was reclassified as held for sale. The first stage exit, representing 4.68% was completed and a gain on partial disposal amounting to AED 50,207 thousand was recognised during Q4 2017. During 2018, the Group completed the second stage exit of the remaining 15.94% stake and recognised a gain on disposal amounting to AED 109,438 thousand (note 7).

[4] On 25th October 2018, the Group reassessed its significant influence in NESR based on developments in the Group's arrangements with management and board of directors during Q4 2018. Based on these developments, the Group concluded that it now has the ability to demonstrate significant influence to participate in the financial and operating policy decisions of the investee. Accordingly, investment in NESR was reclassified from FVTPL financial asset to equity accounted associate. The fair value on the date of reclassification, amounted to AED 188,773 thousand. The quoted value of the investment in NESR was AED 157,341 thousand as at reporting date.

## 12 Investments in associates and joint ventures continued

### 12.1 Details of material associates continued

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

| | AerCap | | SDX Energy Inc.[1] | | NESR Corp[1] | |
|---|---|---|---|---|---|---|
| | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 |
| **Statement of financial position** | | | | | | |
| Current assets | 26,829,476 | 29,944,286 | 197,498 | 252,520 | 1,302,453 | – |
| Non-current assets | 132,092,913 | 124,679,364 | 340,369 | 266,287 | 3,629,811 | – |
| Current liabilities | 17,730,586 | 18,318,614 | 75,425 | 80,666 | 869,409 | – |
| Non-current liabilities | 108,528,904 | 104,531,478 | 21,641 | 16,573 | 1,077,985 | – |
| Non-controlling interests | 193,338 | 217,385 | – | – | 3,402 | – |
| **Statement of profit or loss** | | | | | | |
| Revenue | 17,654,326 | 18,527,899 | 146,528 | 144,053 | 1,204,887 | – |
| Profit for the year | 3,735,377 | 3,958,083 | 15,227 | 104,006 | 69,610 | – |
| Other comprehensive (loss)/income for the year | (59,208) | 59,006 | – | 107 | (59) | – |
| Total comprehensive income/(loss) for the year | 3,676,168 | 4,017,089 | 15,227 | 104,113 | 69,551 | |
| **Group's share of contingencies** | 126,670 | 222,243 | – | – | 8,234 | – |
| **Group's share of commitments** | 8,086,976 | 11,690,714 | 8,971 | 22,498 | 11,620 | – |

[1] The 2018 amounts disclosed above pertain to the nine-month period ended and as of 30 September 2018.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the Group's material associates recognised in the consolidated financial statements:

| | AerCap | | NESR Corp[1] | |
|---|---|---|---|---|
| | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 |
| Net assets of the associate | 32,469,561 | 31,556,173 | 2,984,870 | – |
| Proportion of the Group's ownership interest | 12.00% | 17.55% | 5.80% | – |
| Group's share of net assets of the associate | 3,896,347 | 5,538,108 | 173,122 | – |
| Goodwill | – | – | – | – |
| Impairment | (294,695) | (244,740) | – | – |
| Fair value adjustments relating to acquisitions and other adjustments upon shares buyback | (242,660) | (354,480) | – | – |
| Other adjustments | – | – | 18,073 | |
| Carrying amount of associate | 3,358,992 | 4,938,888 | 191,195 | – |

During the year, the Group recognised net share of loss of AED nil thousand from associates that are not individually material (2017: loss of AED 12,608 thousand), the total carrying value of such investments amounting to AED nil (2017: AED nil).

### 12.2 Details of material joint ventures

Details of each of the Group's material joint ventures at the end of the reporting period are as follows.

| Joint venture | Principal activity | Country of incorporation | Group's shareholding 2018 | Group's shareholding 2017 |
|---|---|---|---|---|
| Dunia Finance[1] | Banking | UAE | 25.00% | 25.00% |
| Channel VAS Investments Limited[2] | Fintech | UAE | 19.81% | 20.00% |
| Petronash Global Limited[3] | Oil and gas services | Cayman Islands | 31.50% | – |

[1] Dunia Finance includes Dunia Finance LLC and Dunia Services FZ-LLC.

2 On 26 September 2017, the Group's Private Investments segment acquired a 20% equity stake in Dubai-based Channel VAS Investments Limited (Channel VAS), for a total consideration of AED 200.5 million. Channel VAS is a business in the fin-tech sector, operating in over 25 emerging markets in the Middle East, Africa, Asia and Europe.

During the year, the Group disposed of 0.59% shareholding in Channel VAS to its co-investors, for an amount of AED 5,875 thousand. Additionally, the Group acquired from its co-investors a shareholding of 0.40% for an amount of AED 800 thousand. Consequently, the Group's ownership in Channel VAS reduced from 20.0% to 19.81%.

Channel VAS provides micro finance lending solutions to over 500 million mobile network subscribers offering airtime credit services and mobile financial services. The Group exercises joint control in Channel VAS through its shareholding agreement and representations on its Board and various committees. The allocation of purchase price is ongoing as of the end of the reporting period.

As per the shares purchase agreement, the Group has an equity price adjustment option for a period of twelve months. The value was assessed to be insignificant; therefore no value was assigned as at the end of the reporting period.

3 On 6 August 2018, the Group, along with co-investors, entered into a subscription agreement to acquire 35% stake in Dubai-based Petronash Global Limited (Petronash), a global oilfield services and manufacturing company, for an upfront consideration of AED 322,762 thousand and a deferred contingent consideration of AED 134,863 thousand. The transaction closed on 10 October 2018 which includes options, pursuant to which the Group can increase its ownership up to 50% in Petronash. These options are reported separately as financial investments and do not form a part of the carrying value of the investments in associates and joint ventures (note 13).

The Group exercises joint control in Petronash through its shareholding agreement and representations on its board and various committees.

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

| | Dunia Finance | | Channel VAS | | Petronash | |
|---|---|---|---|---|---|---|
| | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 |
| **Statement of financial position** | | | | | | |
| Current assets | | | | | | |
| - cash and cash equivalents | 342,377 | 168,201 | 32,794 | 28,523 | 45,326 | – |
| - others | 7,759 | 25,891 | 65,511 | 47,416 | 772,861 | – |
| Non-current assets | 1,229,677 | 2,043,529 | 31,303 | 19,346 | 1,599,766 | – |
| Current liabilities | | | | | | |
| - trade and other payables | 79,075 | 115,998 | 14,425 | 7,059 | 107,677 | – |
| - others | 2,506 | 15,216 | 9,519 | 192 | 544,936 | – |
| Non-current liabilities | 1,448,731 | 1,470,359 | 6,686 | 2,679 | 388,100 | – |
| Non-controlling interests | – | – | 3,252 | 1,395 | – | – |
| **Statement of profit or loss** | | | | | | |
| Revenue | – | – | 209,868 | 170,134 | 284,277 | – |
| Expenses | – | – | 58,152 | 50,317 | 189,287 | – |
| Interest income | 494,564 | 582,737 | – | – | – | – |
| Interest expense | 71,447 | 68,041 | – | – | 5,422 | – |
| Depreciation and amortisation | 7,022 | 6,457 | 5,913 | 2,325 | 11,880 | – |
| (Loss)/profit before tax | (272,180) | (81,693) | 131,179 | 107,907 | 77,691 | – |
| Income tax expense | – | – | (21,836) | (13,602) | (8,300) | – |
| (Loss)/profit for the year | (272,180) | (81,693) | 109,343 | 94,305 | 69,391 | – |
| **Statement of cash flows** | | | | | | |
| Dividends received during the year | – | – | 17,894 | 1,471 | – | – |
| **Group's share of contingencies** | 88,123 | 124,253 | 16,556 | 17,054 | 12,777 | – |
| **Group's share of commitments** | 4,669 | 1,923 | – | – | 62,366 | – |

## 12 Investments in associates and joint ventures continued

### 12.2 Details of material joint ventures continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the Group's material joint ventures recognised in the consolidated financial statements:

| | Dunia Finance | | Channel VAS | | Petronash | |
|---|---|---|---|---|---|---|
| | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 | 2018 AED '000 | 2017 AED '000 |
| Net assets of the joint venture | **49,501** | 636,048 | **98,977** | 83,960 | **1,377,240** | – |
| Proportion of the Group's ownership interest | **25.00%** | 25.00% | **19.81%** | 20.00% | **31.50%** | – |
| Group's share of net assets of the joint venture | **12,375** | 159,012 | **19,607** | 16,792 | **433,830** | – |
| Goodwill | **6,405** | 6,405 | **80,434** | 80,434 | **–** | – |
| Intangible assets | **–** | – | **88,276** | 105,379 | **–** | – |
| Other adjustments | **–** | 4 | **–** | (1,478) | **(80)** | – |
| Carrying amount of joint venture | **18,780** | 165,421 | **188,317** | 201,127 | **433,750** | – |

During the year, the Group recognised net share of profit of AED 1,523 thousand from joint ventures that are not individually material (2017: AED 1,196 thousand), the total carrying value of such investments amounting to AED 9,473 thousand (2017: AED 15,788 thousand).

The movement of investment in equity-accounted associates and joint ventures is presented below:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| As at 1 January (as reported) | **5,321,224** | 5,033,561 |
| Impact of adoption of new accounting standards (note 3) | **(97,881)** | – |
| As at 1 January (restated) | **5,223,343** | 5,033,561 |
| Investments in equity-accounted associates and joint ventures | **412,128** | 200,451 |
| Disposals | **(1,869,544)** | – |
| Share of profit, net | **540,401** | 644,706 |
| Impairment loss | **(294,695)** | (257,348) |
| Reclassified from financial investments | **188,773** | – |
| Share of equity reserves | **26,292** | 816 |
| Distributions received | **(25,731)** | (17,214) |
| Reclassified as held for sale | **–** | (283,606) |
| Other adjustments | **–** | (142) |
| | **4,200,967** | 5,321,224 |

The Group's investments with a carrying amount of AED 3,358,992 thousand (2017: AED 4,938,889 thousand) are collateralised against the Group's borrowings (note 17).

Investment in equity-accounted associates and joint ventures domiciled outside UAE amount to AED 3,550,186 thousand (31 December 2017: AED 4,938,889 thousand).

The fair value of publicly listed equity-accounted associates and joint ventures based on quoted market price is AED 2,651,186 thousand (2017: AED 5,195,302 thousand), carried at AED 3,550,186 thousand (2017: AED 4,938,889 thousand).

## 13 Financial investments

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| **Financial assets at FVTOCI** | | |
| Unquoted fund [1] | – | 63,838 |
| Equity price collar | 254,124 | – |
| **Financial assets at fair value through profit or loss** | | |
| Unquoted fund [1] | 51,987 | – |
| Derivative assets [2] | 43,773 | 48,122 |
| Options [3] | 213,200 | – |
| Reverse repurchase contracts, net [4] | 105,486 | 130,305 |
| Listed fixed income securities [5] | 3,274,064 | 2,072,245 |
| Listed equity securities [6] | 1,465,909 | 1,254,437 |
| Money market funds | 3,676 | – |
| Other investments | 6,409 | 6,237 |
| | 5,418,628 | 3,575,184 |

Financial investments held outside the UAE amount to AED 4,326,297 thousand (31 December 2017: AED 2,620,554 thousand).

[1] Due to the application of the clarification for classification of investment in unquoted fund to debt instrument, the Group's investment in an unquoted fund was reclassified from FVTOCI to FVPTL. Consequently, the accumulated fair value losses of AED 4,337 thousand were transferred from the revaluation reserve to retained earnings.

[2] Derivative assets held by the Group include interest rate swaps, total return swaps, credit default swaps and currency futures, which are measured at fair value, Level 2 (see note 28).

[3] Further to the acquisition of Petronash, the Group also acquired additional rights in the form of options and warrants (the Options), pursuant to which the Group can increase its ownership up to 50% effective from 10 October 2018. Upon initial recognition, the fair value of the Options was deferred as unearned income (refer note 19) and is recycled into profit and loss account over the life of the Options. Subsequently, the changes in the fair value on the re-measurement are recognised in the statement of profit and loss account.

Total derivative assets (including Options) have a notional value of AED 2,121,224 thousand (31 December 2017: AED 12,168,622 thousand).

[4] Reverse repurchase contracts are shorted simultaneously. The carrying amounts presented are net of reverse repurchase receivables of AED 2,458,347 thousand and corresponding liabilities of AED 2,352,861 thousand (31 December 2017: reverse repurchase receivables of AED 1,000,565 thousand and corresponding liabilities of AED 870,260 thousand). The repurchase agreements are subject to a master netting agreement.

[5] Listed fixed income securities aggregating to AED 3,119,853 thousand (31 December 2017: AED 1,685,987 thousand) are pledged as security against the Group's borrowings under repurchase agreements.

[6] Included in the listed equity securities is a 19.50% associate investment in SDX Energy Inc. carried at AED 66,333 thousand (31 December 2017: 19.39% stake carried at AED 109,691 thousand), as part of the Group's venture capital activities and measured at FVTPL.

## 14 Trade and other receivables

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Trade receivables | 111,453 | 165,164 |
| Allowance for expected credit losses | (36,391) | (24,616) |
| Prepayments and advances | 16,845 | 20,398 |
| Accrued interest | 120,172 | 89,543 |
| Amounts set aside for prior year dividends | 36,385 | 36,959 |
| Deposits under lien | 36,017 | 36,011 |
| Margin accounts | 94,132 | 29,153 |
| Wakala deposits | – | 25,000 |
| Other receivables [1] | 64,657 | 162,221 |
| | 443,270 | 539,833 |

[1] includes receivable of proceeds from partial disposal of NPS (note 7).

## 14 Trade and other receivables continued

The maximum exposure to credit risk for trade receivables as at 31 December by geographic region is:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Middle East | **101,941** | 81,317 |
| Europe | **9,512** | 83,847 |
| | **111,453** | 165,164 |

The ageing of trade receivables as at 31 December 2018 is:

| | 2018 AED'000 | |
|---|---|---|
| | Trade receivables | Expected credit losses |
| *Not past due* | **29,811** | – |
| *Past due:* | | |
| Within 90 days | **28,900** | 5,254 |
| 91 days – 180 days | **15,844** | 4,202 |
| 181 days – 365 days | **12,087** | 5,133 |
| › 365 days | **24,811** | 21,802 |
| | **111,453** | 36,391 |

The ageing of trade receivables as at 31 December 2017 is:

| | 2017 AED '000 |
|---|---|
| *Not past due* | 109,631 |
| *Past due and not impaired* | |
| Within 90 days | 20,934 |
| 91 days – 180 days | 5,552 |
| 181 days – 365 days | 1,950 |
| › 365 days | 2,841 |
| *Past due and impaired* | |
| Within 90 days | 1,343 |
| 91 days – 180 days | 4,960 |
| 181 days – 365 days | 8,117 |
| › 365 days | 9,836 |
| | 165,164 |

Movement in allowance for expected credit losses:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Balance at the beginning of the year (as reported) | **24,616** | 10,291 |
| Adjustments on adoption of IFRS 9 | **3,805** | – |
| Balance at the beginning of the year (as restated) | **28,421** | – |
| Expected credit losses recognised during the year | **8,158** | 15,914 |
| Write-off | **(188)** | (4,130) |
| Derecognised on disposal of a subsidiary | **–** | (3,446) |
| Other adjustments | **–** | 5,987 |
| Balance at the end of the year | **36,391** | 24,616 |

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 end of the reporting period.

Deposits under lien represent cash collateral for letters of guarantee issued by commercial banks in favour of the Central Bank of the UAE on behalf of the Group. The interest rate on deposits under lien is 2.50% (2017: 2.50%) per annum. All deposits under lien are placed with UAE banks.

## 15 Cash and cash equivalents

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Short term deposits held with banks | **10,800** | 158,000 |
| Cash at banks | **417,656** | 332,411 |
| Cash in hand | **624** | 62 |
| | **429,080** | 490,473 |
| Less: Allowance for expected credit losses | **(110)** | – |
| | **428,970** | 490,473 |

The interest rate on short term deposits was 1.53% per annum (2017: 2.06% per annum). All short term deposits are placed with UAE banks.

## 16 Share capital and dividend

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Authorised and fully paid up capital: | | |
| 1,944,514,687 shares (2017: 1,944,514,687 shares) of AED 1 each | **1,944,515** | 1,944,515 |

On 25 March 2018, the Company held its Annual General Meeting which, among other things, approved a cash dividend amounting to AED 321,739 thousand representing AED 0.175 per share (22 March 2017: cash dividend of AED 367,702 thousand representing AED 0.20 per share).

A cash dividend of AED 0.075 per share for 2018 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the forthcoming Annual General Meeting.

On 17 September 2014, the Company's Board of Directors approved the implementation of a share buy-back programme for up to 10% of the outstanding shares of the Company. The Securities & Commodities Authority (SCA) approved the programme on 20 October 2014, which ended on 18 October 2016 and was subsequently approved for extension until 18 October 2019. As of 31 December 2018, the Company had bought 106,005,973 shares at AED 267,184 thousand.

The basic and diluted earnings per share for the year ended 31 December 2018 has been calculated using the weighted average number of shares outstanding during the year after considering the effect of treasury shares.

| | 2018 | 2017 |
|---|---|---|
| Profit for the year attributable to Owners of the Company (AED '000) | **145,000** | 425,940 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **1,838,508,714** | 1,838,508,714 |

## 17 Borrowings

| | 31 December 2018 AED '000 | | | | | 31 December 2017 AED '000 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective Interest Rate | ‹ 1 year | 1-3 years | › 3 years | Total | Effective Interest Rate | ‹ 1 year | 1-3 years | › 3 years | Total |
| Funding against collared assets | 1.09% to 1.97% | 1,723,285 | 697,870 | – | 2,421,155 | 1.09% to 1.97% | 1,327,536 | 2,382,755 | – | 3,710,291 |
| Secured term loans[1] | LIBOR+3% and EIBOR +1.75% | 1,135,496 | 122,456 | – | 1,257,952 | LIBOR+3% and EIBOR +1.75% | 1,074,963 | 67,521 | 39,388 | 1,181,872 |
| Borrowings through repurchase agreements[2] | 1m LIBOR | 2,555,834 | – | – | 2,555,834 | 1m LIBOR | 1,461,660 | – | – | 1,461,660 |
| Unsecured loans[3] | EIBOR +3.25% and 3.93% | 8,147 | – | 220,680 | 228,827 | EIBOR +3.25% and 3.93% | 9,509 | 220,680 | | 230,189 |
| | | 5,422,762 | 820,326 | 220,680 | 6,463,768 | | 3,873,668 | 2,670,956 | 39,388 | 6,584,012 |

[1] On 15 August 2016, the Group completed the refinancing of its existing US$ 375 million secured revolving loan facility, replacing it with a 5 year US$ 500 million secured revolving loan facility. The facility is secured by a pledge over the Group's shareholding in Al Waha Land LLC (note 5.1). As at 31 December 2018, an amount of AED 1,124,732 thousand was drawn-down (2017: AED 1,070,298 thousand) and the Group had undrawn facility of AED 714,268 thousand (2017: AED 768,702 thousand).

In previous year, the Group secured AED 426 million in a Murabaha-Ijara based financing for further development of its light industrial real estate project. As of 31 December 2018, an amount of AED 148,624 thousand was drawn-down (2017: AED 127,616 thousand).

[2] Repurchase liabilities represent the Group's borrowings against its investment in listed fixed income securities under repurchase contracts.

[3] These represent commercial loans and other banking facilities obtained by the Group, denominated in US$.

The investments and assets pledged to lenders as security against various facilities are the Group's interests in equity accounted investees (refer to note 12), the Group's shareholding in Al Waha Land LLC (refer to note 5.1), and listed fixed income securities (refer to note 13).

Reconciliation of borrowings movement to cash flows arising from financing activities is as follows:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| At 1 January | **6,584,012** | 5,464,877 |
| Loans drawn-down | **1,552,513** | 1,120,936 |
| Loan arrangement and prepaid interest costs, net of amortisations | **51,976** | 58,327 |
| Loans repaid | **(1,724,733)** | (50,016) |
| Disposal of a subsidiary (note 5.3) | **–** | (10,112) |
| | **6,463,768** | 6,584,012 |

During the year, an amount of AED 54,435 thousand was net drawn-down from the Group's existing AED 1,839,000 thousand (US$ 500 million) secured revolving loan facility, and AED 21,008 thousand was drawn-down from the AED 426,000 thousand secured Murabaha-Ijara based financing for further development of its light industrial real estate project.

During the year, the Group's repurchase liabilities against its investment in fixed income securities increased by AED 1,094,174 thousand.

Loans repaid during the current year include settlement of funding against collared assets amounting to AED 1,336,263 thousand, upon maturity of the corresponding equity price collars on 9.72 million shares of AerCap (note 18).

## 18 Derivative liabilities

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| **Derivatives designated and effective as hedging instruments carried at fair value** | | |
| Equity price collar [1] | – | 109,142 |
| **Financial liabilities at FVTPL** | | |
| Other derivative liabilities [2] | 36,304 | 14,121 |
| | 36,304 | 123,263 |

[1] The Group carries equity price collars on its 17.12 million shares equivalent to 12.00% stake in AerCap, representing an investment of AED 391,413 thousand, at floor and cap prices in the range of US$ 34.74 – 39.38 and US$ 55.97 – 70.02 per share respectively. The equity price collars have been designated as cash flow hedging instruments, hedging the cash proceeds on a highly probable future sale of the shares, and accounted for as at fair value through other comprehensive income. During the year, the Group recognised a fair value gain of AED 340,243 thousand (2017: loss of AED 542,604 thousand) on mark-to-market of cash flow hedges through other comprehensive income.

During the year, collars on 9.72 million shares of AerCap matured and were settled. Consequently, an amount of AED 144,448 thousand was reclassified from other comprehensive income to profit or loss upon maturity (note 21).

[2] Other derivative liabilities held by the Group represent interest rate swaps, total return swaps, credit default swaps, and currency futures, and have a notional value of AED 27,156,690 thousand (31 December 2017: AED 3,168,168 thousand).

Maturity profiles of derivative liabilities are as follows:

| | 2018 Notional 000 | 2018 Fair value AED '000 | 2017 Notional 000 | 2017 Fair value AED '000 |
|---|---|---|---|---|
| Due within 1 year | 5,009,245 | 6,052 | 259,082 | 8,820 |
| Due between 1 to 3 years | 9,531,905 | 14,063 | 420,763 | 3,779 |
| More than 3 years | 12,615,540 | 16,189 | 2,488,323 | 1,522 |
| | 27,156,690 | 36,304 | 3,168,168 | 14,121 |

## 19 Trade and other liabilities

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Trade payables | 59,556 | 169,222 |
| Interest accrued on borrowings | 99,611 | 78,893 |
| Dividends payable | 39,098 | 39,672 |
| Long term employee incentive plans accrual (note 27) | 27,408 | 23,981 |
| Deferred income | 123,849 | – |
| Other payables and accruals | 237,916 | 132,841 |
| | 587,438 | 444,609 |

Trade and other liabilities are stated at amortised cost. The average credit period for the trade payables is 60 days. The Group has financial risk management policies in place to ensure that all the payables are paid within the agreed credit period. The contractual maturities for trade payables are within one year.

## 20 Revenue from sale of goods and services

| | 2018 AED '000 | | | 2017 AED '000 | | |
|---|---|---|---|---|---|---|
| | Revenue | Cost of sale | Gross profit | Revenue | Cost of sale | |
| Sales of goods and services | 261,292 | (215,205) | 46,087 | 287,499 | (225,775) | 61,724 |
| Rental income | 29,986 | (4,774) | 25,212 | 30,835 | (1,684) | 29,151 |
| Sale of inventory | 52 | (52) | – | 38 | (38) | – |
| | 291,330 | (220,031) | 71,299 | 318,372 | (227,497) | 90,875 |

Revenue and cost of sales of services are mainly attributable to the healthcare operations.

Rental income and direct cost of sales relate to the Group's investment property (note 9).

## 21 Income from financial investments

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Derivatives designated and effective as hedging instruments carried at fair value | | |
| Equity price collar – Reclassification of hedge reserve on settlement | (144,448) | – |
| Financial assets at fair value through profit or loss | | |
| Net loss from unquoted fund | (11,851) | – |
| Net gain/(loss) from derivatives | 106,173 | (847) |
| Net gain from listed fixed income securities | 77,858 | 135,988 |
| Net gain from listed equity securities [1] | 59,504 | 177,605 |
| Others [2] | 41,343 | 150 |
| | 128,579 | 312,896 |

[1] Included in the net gain from listed equity securities are mark to market gain of AED 7,086 thousand (31 December 2017: nil) from NESR for the period the investment was classified as FVTPL financial asset (see note 12).

[2] Others include income from arranging, advising and administering capital financing on behalf of external clients.

## 22 Other income, net

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Gain on disposal of investment property (note 9) | – | 1,394 |
| Reversal of provision against slow moving inventories | 52 | 38 |
| Others | 23,599 | 17,803 |
| | 23,651 | 19,235 |

## 23 General and administrative expenses

| | 2018 AED '000 | | | 2017 AED '000 | | |
|---|---|---|---|---|---|---|
| | Company | Subsidiaries | Total | Company | Subsidiaries | Total |
| Staff costs | 97,838 | 51,761 | 149,599 | 129,340 | 63,093 | 192,433 |
| Legal and other professional expenses | 3,132 | 15,178 | 18,310 | 6,851 | 13,719 | 20,570 |
| Depreciation | 990 | 11,468 | 12,458 | 1,628 | 10,912 | 12,540 |
| Amortisation and write- off intangible assets | 857 | 7,948 | 8,805 | 6,285 | 10,950 | 17,235 |
| Marketing expenses | 11,451 | 3,552 | 15,003 | 6,580 | 30,402 | 36,982 |
| Rental expenses | 3,565 | 11,904 | 15,469 | 3,643 | 15,886 | 19,529 |
| Social contributions | 5,500 | – | 5,500 | 5,564 | – | 5,564 |
| Provision for doubtful debts | – | 8,158 | 8,158 | – | 15,914 | 15,914 |
| Others | 6,219 | 35,251 | 41,470 | 10,451 | 16,325 | 26,776 |
| | 129,552 | 145,220 | 274,772 | 170,342 | 177,201 | 347,543 |

## 24 Finance cost, net

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Interest on borrowings | 166,994 | 136,813 |
| Amortisation of loan arrangement costs | 4,560 | 4,631 |
| Interest income from loan investments at amortised cost | (10,045) | (11,816) |
| Interest earned on time deposits | (5,371) | (3,300) |
| Interest income from investments in finance leases | (467) | (1,145) |
| | 155,671 | 125,183 |

## 25 Related parties

Related parties include major shareholders of the Company, directors or officers of the Group, enterprises that are in a position to exercise significant influence over the Group or those enterprises over which the Group can exercise significant influence or has joint control.

The Group conducts its transactions with related parties on arm's length terms, with any exceptions to be specifically approved by the Board. In all cases, transactions with related parties are required to be conducted in compliance with all relevant laws and regulations. Where a Board member has an actual or perceived conflict of interest over an issue to be considered by the Board, the interested member may not vote on any relevant resolutions, and can also be asked by the Chairman not to participate in the relevant Board discussions. The Company has a conflict of interest policy for Board members and, for senior management, a code of conduct. The Company takes reasonable steps to maintain an awareness of the other relevant commitments of its Directors and senior management, and thus is able to monitor compliance with this policy and code.

*Significant balances and transactions with related parties*

Loan investments provided to an associate amounted to AED 12,283 thousand as at 31 December 2018 (2017: AED 12,283 thousand). The loan is a stage 3 asset and does not bear any interest. As at 31 December 2018, the loan has a gross balance of AED 33,609 thousand and ECLs of AED 21,326 thousand.

During the year, the Company's Directors and Key Management Personnel redeemed a net amount of AED 136 thousand from Waha MENA Equity Fund SP (2017: the Company's Directors and Key Management Personnel invested an amount of AED 368 thousand); the Company's Directors and Key Management Personnel redeemed a net amount of AED 1,598 thousand from Waha MENA Value Fund SP (2017: the Company's Directors and Key Management Personnel invested an amount of AED 920 thousand); the Company's Key Management Personnel redeemed a net amount of AED 2,758 thousand from Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund) under a co-investment plan (2017: the Company's Directors and Key Management Personnel invested AED 11,034 thousand).

## 25 Related parties continued

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| *Key management personnel compensation* | | |
| Short term benefits | **10,487** | 6,942 |
| End of service and other long term benefits | **13,093** | 13,694 |
| | **23,580** | 20,636 |

Key management personnel were provided co-investment opportunities by the Group (note 27).

## 26 Commitments

### Capital commitments

As at 31 December 2018, the Group has no capital commitments (2017: AED 10,000 thousand) with respect to the development of Phase 2a of Al Markaz project and AED 3,736 thousand (2017: AED 4,344 thousand) with respect to AAH.

Subsequent to year end, the Group has agreed to increase its capital commitments to Dunia Finance by injecting a capital of AED 87,800 thousand.

### Operating lease arrangements

**The Group as lessee**

The Group has entered into operating lease arrangements for office space. Annual lease payments are paid in advance. Following is the future lease payment schedule:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Due within 1 year | **11,810** | 13,359 |
| Due between 2 to 5 years | **9,845** | 2,694 |
| | **21,655** | 16,053 |

**The Group as lessor**

Operating leases relate to the investment property owned by the Group with lease payments between 1 to 15 years (2017: 1 to 15 years).

Rental income earned by the Group on its investment property is set out in note 20.

The non-cancellable operating lease receivables are set out below:

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| Within one year | **23,397** | 28,504 |
| Between 2 and 5 years | **62,143** | 68,963 |
| More than 5 years | **12,012** | 2,276 |
| | **97,552** | 99,743 |

## 27 Employee compensation

In designing its employee compensation plans, the Group's primary objective is to provide employees with a robust compensation platform upon which they are encouraged to pursue outstanding returns and to reward them based on their results in line with the interests of the Group. This is achieved through a combination of cash salaries, variable bonuses dependent upon Group and individual's performance, and participation in various long term employee incentive and co-investment programs described below.

### Investment profit participation plans

The Group's Board of Directors has approved the following cash settled long term incentive plan for certain employees linked to investment profit participation:

- A trading plan, whereby the employees are granted points linked to the fund's performance which vests annually. An amount representing the value of vested points derived from the fund's net asset value is divided into a cash payment and cash deferral. The cash deferral is reinvested into the funds for a period of three years. The reinvested amount vests over the three year period and after completing the service condition a cash payment is made.
- A carried interest plan, whereby the employees are granted points linked to the realised Internal Rate of Return set for the specifically identified investments, which vest progressively, subject to continued employment and the investment exit. A cash amount representing the value of vested points is paid upon completion of the service condition and exit of the underlying investments, provided certain minimum pre-established return hurdles are satisfied.

In addition, AAH has approved a separate long term incentive plan for its management team. Under this plan, the employees shall receive a cash amount based on the exit value of AAH, subject to the Group achieving certain financial targets, and the employees meeting the relevant service conditions.

### Share linked plan

The Group's Board of Directors has approved a cash settled share linked incentive plan for the management team, under which certain employees receive restricted stock units of Waha Capital PJSC, which vest progressively, over three years from the effective grant date, subject to continued employment. A cash amount representing the value of the vested shares, based on the latest share price, is paid upon the employee successfully completing the three year service condition.

The reconciliation of restricted stock units at the beginning and end of the year is as follows:

| | 2018 | 2017 |
|---|---|---|
| Opening balance: | | |
| - Grant date 31 December 2015 | 2,016,774 | 2,016,774 |
| - Grant date 1 January 2016 | 3,839,983 | 3,839,983 |
| - Grant date 31 December 2016 | 1,086,493 | 1,086,493 |
| - Grant date 1 January 2017 | 3,230,718 | 3,230,718 |
| - Grant date 31 December 2017 | 591,183 | 591,183 |
| Granted during the year: | | |
| - Grant date 1 January 2018 | 5,241,583 | – |
| Paid/forfeited during the year: | | |
| - Grant date 31 December 2015 | (279,954) | – |
| - Grant date 1 January 2016 | (1,920,968) | – |
| - Grant date 31 December 2016 | (284,530) | – |
| - Grant date 1 January 2017 | (2,303,039) | – |
| - Grant date 1 January 2018 | (2,082,738) | – |
| Closing balance | 9,135,505 | 10,765,151 |

### Investment profit participation and shared linked plans

The Group's Board of Directors has approved total grants under various incentive plans of AED 10,711 thousand for the current year (2017: AED 12,157 thousand). The total plan expenses recognised under "staff costs" in respect to the grants is as follows:

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Awards expenses for performance year | 9,304 | 4,383 |
| Amortisation of prior year awards | 8,248 | 7,805 |
| Total expense | 17,522 | 12,188 |

## 27 Employee compensation continued

The movement in accruals for the various plans is as follows:

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Opening balance | **23,981** | 11,793 |
| Expensed during the year | **17,552** | 12,188 |
| Closing balance (note 19) | **41,533** | 23,981 |

### Programs for co-investment

Investment professionals, including key management, also participate in a co-investment program pursuant to which they acquire an interest in the Group's investments which they manage, at the Group's proportionate investment carrying value, thereby resulting in no gain or loss to the Group.

## 28 Financial instruments

### Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management has established a committee comprising of senior management, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by an internal audit team. The Internal audit team undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

In respect of capital market transactions, the Group has implemented risk management policies and guidelines, as set out in the Private Placement Memorandums of Waha MENA Equity Fund SP, Waha CEEMEA Credit Fund SP and Waha MENA Value Fund SP (all together the "Funds"), which set out the procedures to be performed prior to making investment decisions, including employing qualitative analyses, quantitative techniques, due diligence and management meetings as well as fundamental research on evaluation of the issuer based on its financial statements and operations. In addition to analysing financial instruments, the Group determines the relative attractiveness of investing in different markets in order to determine the country weighting in each area. In assessing the investment potential in each area, the Group considers economic growth prospects, monetary decisions, political risks, currency risks, capital flow risks, and other factors.

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, derivative assets, cash and cash equivalents and loan investments. As at the end of the reporting date, the Group's financial assets exposed to credit risk amounted to:

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Cash and cash equivalents | **428,970** | 490,473 |
| Trade and other receivables [1] | **426,425** | 519,833 |
| Loan investment [2] | **12,283** | 12,283 |
| Finance leases | **2,903** | 9,930 |
| Financial investments at FVTPL | **5,164,504** | 3,511,346 |
| | **6,035,085** | 4,543,865 |

[1] Trade and other receivables exclude prepayments and advances

[2] Loan investment, with gross value of AED 33,610 thousands, is fully secured against shares mortgage

#### (i) Cash and cash equivalents

Substantially all of the cash and cash equivalents are held with reputed financial institutions with S&P credit ratings ranging between A and BBB+, therefore, there are no significant credit risks as at reporting date.

#### (ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base including default risk of the industry and country in which the Group's customers operate are some of the factors which influence credit risk.

The Group has established various policies and procedures to manage credit exposure, including initial financial assessment and appraisal, collateral and guarantee requirements and continual credit monitoring. The expected credit losses on trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk related to unsettled transactions is considered small due to the short settlement period involved and high credit quality of the brokers used.

#### (iii) Loan investments

The Group limits its exposure to credit risk by investing in securities which are fully collaterised and with credit ratings which are within the limits prescribed by the Group's financial risk management guidelines. The expected credit loss of a loan to an equity accounted investee is estimated based on time value using a discounted cash flow approach.

#### (iv) Finance leases

The Group mitigates any credit risk associated with finance lease receivables as they are secured over the leased equipment.

#### (v) Derivative assets

The Group limits its exposure to credit risk on derivative assets by dealing with financial institutions and commercial banks that have S&P credit ratings ranging between A and BBB+ as at the reporting date.

### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which provides appropriate liquidity risk management guidance to the management for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 17 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

## 28 Financial instruments continued

### (b) Liquidity risk continued

The maturity profile of the assets and liabilities as at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | | | | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | | | | Current | Non-current | | | |
| | < 1 year AED '000 | 1-3 years AED '000 | > 3 years AED '000 | Unspecified AED '000 | Total AED '000 | < 1 year AED '000 | 1-3 years AED '000 | > 3 years AED '000 | Unspecified AED '000 | Total AED '000 |
| **Assets** | | | | | | | | | | |
| Furniture and equipment | – | – | – | 72,695 | 72,695 | – | – | – | 82,534 | 82,534 |
| Investment property | – | – | – | 753,566 | 753,566 | – | – | – | 758,666 | 758,666 |
| Goodwill and intangible assets | – | – | – | 107,719 | 107,719 | – | – | – | 115,155 | 115,155 |
| Investments in finance leases | – | 2,903 | – | – | 2,903 | 7,692 | 2,238 | – | – | 9,930 |
| Loan investments | – | 232,963 | – | – | 232,963 | – | 232,963 | – | – | 232,963 |
| Investments in equity-accounted associates and joint ventures | – | – | – | 4,200,967 | 4,200,967 | – | – | – | 5,321,224 | 5,321,224 |
| Financial investments | 4,977,102 | 92,528 | 348,998 | – | 5,418,628 | 3,511,346 | 63,838 | – | – | 3,575,184 |
| Inventories | 9,728 | – | – | – | 9,728 | 8,900 | – | – | – | 8,900 |
| Trade and other receivables | 370,203 | 73,067 | – | – | 443,270 | 475,428 | 64,405 | – | – | 539,833 |
| Cash and cash equivalents | 428,970 | – | – | – | 428,970 | 490,473 | – | – | – | 490,473 |
| Asset held for sale | – | – | – | – | – | 219,480 | – | – | – | 219,480 |
| **Total assets** | 5,786,003 | 401,461 | 348,998 | 5,134,947 | 11,671,409 | 4,713,319 | 363,444 | – | 6,277,579 | 11,354,342 |
| **Liabilities & equity** | | | | | | | | | | |
| Borrowings | 5,422,762 | 820,326 | 220,680 | – | 6,463,768 | 3,873,668 | 2,670,956 | 39,388 | – | 6,584,012 |
| End of service benefit provision | – | – | – | 33,969 | 33,969 | – | – | – | 32,608 | 32,608 |
| Trade and other liabilities | 390,522 | 73,067 | 123,849 | – | 587,438 | 380,204 | 64,405 | – | – | 444,609 |
| Derivative liabilities | 6,052 | 14,063 | 16,189 | – | 36,304 | 61,076 | 62,001 | 186 | – | 123,263 |
| Total equity | – | – | – | 4,549,930 | 4,549,930 | – | – | – | 4,169,850 | 4,169,850 |
| **Total liabilities and equity** | 5,819,336 | 907,456 | 360,718 | 4,583,899 | 11,671,409 | 4,314,948 | 2,797,362 | 39,574 | 4,202,458 | 11,354,342 |

### (c) Market risks

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

#### (i) Currency risk

The Group may be exposed to currency risk on financial investments that are denominated in a currency other than the respective functional currencies of Group entities. In respect of the Group's transactions and balances denominated in US$ and Saudi Riyal (SAR), the Group is not exposed to the currency risk as the UAE Dirham (AED) and Saudi Riyal (SAR) are currently pegged to the US$. The table below summarises the sensitivity of the Group's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 0.5% with all other variables held constant:

| | Assets AED'000 | Liabilities AED'000 | Net Exposure AED'000 | Hedged AED'000 | Effect on net equity for +/- 0.5% sensitivity AED'000 |
|---|---|---|---|---|---|
| 2018 | | | | | |
| Euro | 372,475 | (309,878) | 62,597 | 73,804 | +/– 56 |
| Great British Pound | 159,009 | (15,798) | 143,211 | 10,269 | +/– 665 |
| Kuwaiti Dinar | 123,566 | – | 123,566 | – | +/– 618 |
| Egyptian Pound | 141,972 | – | 141,972 | – | +/– 710 |
| Omani Riyal | 7,660 | – | 7,660 | – | +/– 38 |
| Others | 5,363 | – | 5,363 | – | +/– 27 |
| | 810,045 | (325,676) | 484,369 | 84,073 | +/– 2,114 |
| 2017 | | | | | |
| Euro | 310,534 | (252,745) | 57,789 | 40,630 | +/– 86 |
| Great British Pound | 172,664 | (20,101) | 152,563 | 6,180 | +/– 732 |
| Kuwaiti Dinar | 82,705 | – | 82,705 | – | +/– 414 |
| Egyptian Pound | 87,641 | – | 87,641 | – | +/– 438 |
| Others | 9,142 | – | 9,142 | – | +/– 46 |
| | 662,686 | (272,846) | 389,840 | 46,810 | +/– 1,716 |

**(ii) Interest rate risk**

The Group is exposed to fair value interest rate risk on its investment in listed fixed income securities carried at fair value through profit or loss, and cash flow interest rate risk on its floating rate non-derivative borrowings. The sensitivities of these financial instruments to changes in interest rates are as follows:

*Fair value interest rate risk*

- The Group had listed fixed income securities fair valued at AED 3,274,064 thousand at the end of the reporting period (2017: AED 2,072,245 thousand), for which the Group uses a range of DV01 (the dollar value of a basis point) for different time intervals as a key measure of interest rate risk. An absolute measure derived from duration, it indicates the change in price or fair value, expressed in monetary units, caused by a one basis point (0.01%) change in the yield curve. The DV01 for the Group's listed fixed income securities was AED 703 thousand at the end of the reporting period (2017: AED 562 thousand).

*Cash flow interest rate risk*

- The Group had floating rate non-derivative borrowings of AED 3,680,566 thousand at the end of the reporting period (2017: AED 2,673,295 thousand). Had the relevant interest rates been higher/lower by 50 basis points, the Group's finance cost would have been higher/lower, therefore the profit for the year would have been lower/higher by AED 32,690 thousand (2017: AED 23,423 thousand).

In the normal course of business, the Group enters into interest rate swaps, where appropriate, to hedge against the net interest rate exposure of the Group's investments in listed fixed income securities and the corresponding borrowings through repurchase agreements, except where the interest rate exposure is deemed to be immaterial or acceptable in relation to the cost of entering into a hedge. At the end of the reporting period, the net carrying amount of the interest rate swaps was immaterial.

**(iii) Equity and fixed income price risk**

Equity and fixed income price risk arises from investments in equity and fixed income securities. Management of the Group monitors the mix of securities in its investment portfolio based on respective benchmark market indices to reduce the exposure on account of share prices (refer to note 28 (e) for sensitivity analysis).

## Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

## 28 Financial instruments continued

### (c) Market risks continued

### Operational risks

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

### (d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and reserves. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders in order to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

In respect of the capital market segment, the amount of net asset attributable to shareholders can change significantly on a weekly basis, as the Funds are subject to weekly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Funds' performance. The Group's objective when managing capital is to safeguard the Funds' ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Funds.

The Group's leverage ratio reported to the Group's lenders of the Revolving Corporate facility ("RCF") as at 31 December 2018 is presented below. The Group was in compliance of the requirement of this ratio to be a maximum of 0.65 times.

| | 2018<br>AED '000 | 2017<br>AED '000 |
|---|---|---|
| Issued share capital | **1,944,515** | 1,944,515 |
| Retained earnings and Reserves | **1,901,831** | 1,702,950 |
| Less: proposed dividends | **(137,888)** | (275,776) |
| Net worth (as defined under the RCF agreement) | **3,708,458** | 3,371,689 |
| Debt (defined as "Borrowings" under the RCF agreement) | **1,257,952** | 1,177,661 |
| Debt/Debt and Net Worth | **0.25** | 0.26 |

### (e) Fair values

#### (a) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable for the asset or liability.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. As at 31 December, the Group held the following financial assets and liabilities at fair value:

| | 2018 AED '000 | 2017 AED '000 | Fair value hierarchy | Valuation technique | Sensitivity Analysis |
|---|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | | |
| (a) Listed equity securities | 1,465,909 | 1,254,437 | Level 1 | Quoted bid prices in an active market | ± 5% change in quoted bid prices, impacts fair value by AED 73,479 thousand |
| (b) Money market funds | 3,676 | – | Level 1 | Valuation is based on quoted market prices in an active market, which represent the Net Assets Value (NAV) of shares held | ± 5% change in NAV, impacts fair value by AED 184 thousand |
| (c) Other investment in equity securities | 6,409 | 6,237 | Level 3 | Valuation is based on Net Asset Values (NAV) | ± 5% change in NAV, impacts fair value by AED 320 thousand |
| (d) Listed fixed income securities | 3,274,064 | 2,072,245 | Level 1 | Quoted bid prices in an active market | ± 5% change in quoted bid prices, impacts fair value by AED 163,703 thousand |
| (e) Reverse repurchase contracts | 105,486 | 130,305 | Level 2 | The valuation is based on broker quotes | ± 5% change in broker quotes impacts fair value by AED 5,274 thousand |
| (f) Derivative assets | 43,773 | 48,122 | Level 2 | The valuation is based on broker quotes | ± 5% change in broker quotes impacts fair value by AED 2,189 thousand |
| (g) Options | 213,200 | – | Level 3 | Black-Scholes model with company-specific data for EBITDA along with market observable inputs, mainly market volatilities, valuation multiples of comparable peers | ± 5% change in EBITDA impacts fair value by AED 7,637/ (AED 7,598) thousand |
| (h) Unquoted fund | 51,987 | – | Level 3 | Valuation is based on Net Asset Values (NAV) of the fund calculated by the fund manager | ± 5% change in NAV, impacts fair value by AED 2,599 thousand |
| **Financial assets at FVTOCI** | | | | | |
| (i) Unquoted fund | – | 63,838 | Level 3 | Valuation is based on Net Asset Values (NAV) of the fund calculated by the fund manager | ± 5% change in NAV, impacts fair value by AED nil |
| **Derivatives designated and effective as hedging instruments carried at fair value** | | | | | |
| (a) Equity price collar | 254,124 | (109,142) | Level 2 | Black-Scholes model with market observable inputs, mainly share price and market volatilities of the underlying shares | ± 10% change in share price would result in AED (92,808)/ 121,644 thousand change in fair value, respectively |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| (b) Derivative liabilities | (36,304) | (14,121) | Level 2 | The valuation is based on broker quotes | ± 5% change in broker quotes impacts fair value by AED 1,815 thousand |

## 28 Financial instruments continued

### (e) Fair values continued

#### (a) Fair value hierarchy continued

| | 2018 AED '000 | | | | 2017 AED '000 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | | | |
| **Financial assets at FVTPL** | | | | | | | | |
| Investment in equity securities | 1,465,909 | 1,465,909 | – | – | 1,254,437 | 1,254,437 | – | – |
| Other investment in equity securities | 6,409 | – | – | 6,409 | 6,237 | – | – | 6,237 |
| Investment in fixed income securities | 3,274,064 | 3,274,064 | – | – | 2,072,245 | 2,072,245 | – | – |
| Derivative assets | 43,773 | – | 43,773 | – | 48,122 | – | 48,122 | – |
| Money market funds | 3,676 | 3,676 | – | – | – | – | – | – |
| Options | 213,200 | – | – | 213,200 | – | – | – | – |
| Reverse repurchase contracts | 105,486 | – | 105,486 | – | 130,305 | – | 130,305 | – |
| Unquoted fund | 51,987 | – | – | 51,987 | – | – | – | – |
| **Financial assets at FVTOCI** | | | | | | | | |
| Unquoted fund | – | – | – | – | 63,838 | – | – | 63,838 |
| **Derivatives designated and effective as hedging instruments carried at fair value** | | | | | | | | |
| Equity price collar | 254,124 | – | 254,124 | – | – | – | – | – |
| **Total** | 5,418,628 | 4,743,651 | 403,381 | 271,596 | 3,575,184 | 3,326,682 | 178,427 | 70,075 |
| **Financial liabilities** | | | | | | | | |
| **Financial liabilities at FVTPL** | | | | | | | | |
| Derivative liabilities | (36,304) | – | (36,304) | – | (14,121) | – | (14,121) | – |
| **Derivatives designated and effective as hedging instruments carried at fair value** | | | | | | | | |
| Equity price collar | – | – | – | | (109,142) | – | (109,142) | – |
| **Total** | (36,304) | – | (36,304) | – | (123,263) | – | (123,263) | – |

There have been no transfers between levels 1 and 2 during the year.

### Reconciliation of Level 3 fair value movements

| | 2018 AED '000 | 2017 AED '000 |
|---|---|---|
| At 1 January | 70,075 | 76,548 |
| Additions during the year | 123,849 | – |
| Increase in fair value through profit or loss | 77,672 | 601 |
| Total (loss) in other comprehensive income | – | (7,074) |
| | 271,596 | 70,075 |

#### (b) Fair values of financial assets and liabilities measured at amortised cost

The fair values of financial assets and liabilities approximate their carrying amounts.

## 29 Changes in the statement of cash flows presentation

During the year, the Group reassessed its business activities and considers the acquisition and disposal of investments a core component of its main operations. Accordingly, cash flow for the comparative period has been restated to align with the current year presentation, as follows:

| | Original classification AED '000 | Adjustment AED '000 | As restated AED '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Investment in asset classified as held for sale and an equity-accounted associate | – | (200,451) | (200,451) |
| Investments in financial assets at FVTPL | – | (877,493) | (877,493) |
| Loans obtained for financial assets at FVTPL | – | 238,480 | 238,480 |
| Finance cost paid on loans obtained against financial assets at FVTPL | – | (30,154) | (30,154) |
| | – | (869,618) | (869,618) |
| **Cash flows from investing activities** | | | |
| Investment in asset classified as held for sale and an equity-accounted associate | (200,451) | 200,451 | – |
| Purchase of investments at FVTPL, net | (877,493) | 877,493 | – |
| | (1,077,944) | 1,077,944 | – |
| **Cash flows from financing activities** | | | |
| Finance cost paid on borrowings | (83,117) | 30,154 | (52,963) |
| Loans obtained | 1,120,936 | (238,480) | 882,456 |
| | 1,037,819 | (208,326) | 829,493 |

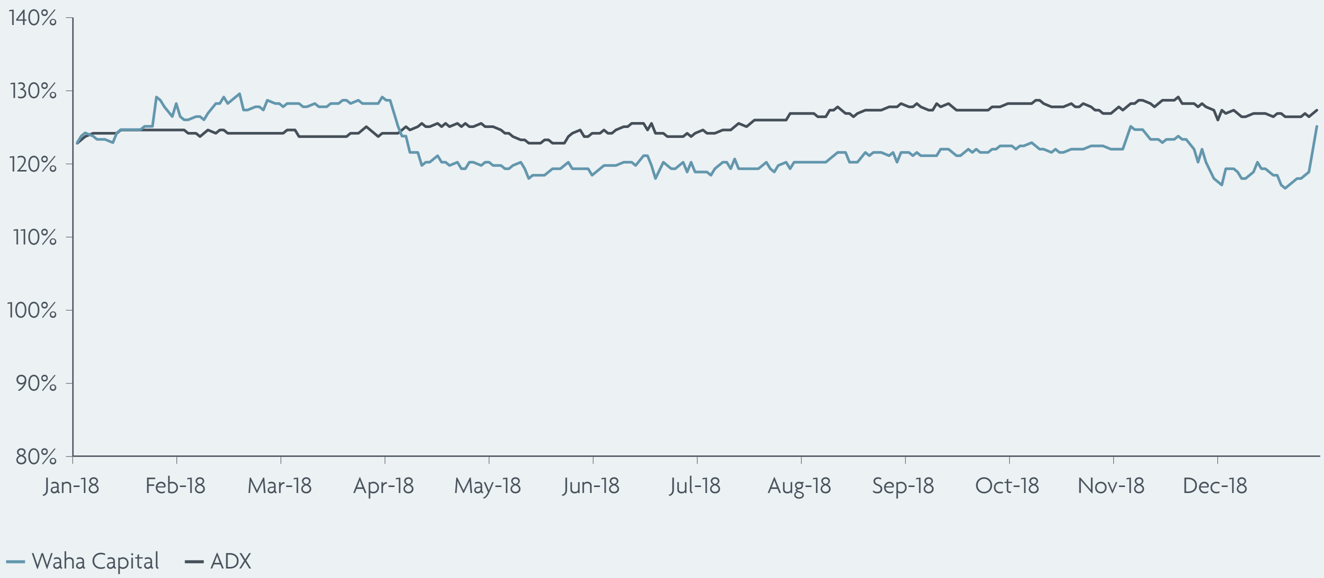
## 30 Other matters

Waha Capital PJSC has not invested in the Abraaj Group, nor in any of its funds.

Waha Capital PJSC is the ultimate beneficial owner of 49% of Aqua Consortium Limited, which holds the Stanford Marine group of companies (including Stanford Marine, Grandweld and Gallagher International); the remaining 51% of the Stanford Marine group is ultimately held by the Abraaj Group. Waha Capital has no financial exposure to the Abraaj Group through its shareholding in the Stanford Marine group of companies and foresees no direct financial loss for Waha Capital PJSC arising from the Abraaj liquidation process.

# Company Information

## Share Information




### Board of Directors

**Chairman**
HE Salem Rashid Al Noaimi

**Vice-Chairman**
Mr Ahmed Ali Khalfan
AlMutawa Al Dhaheri

**Directors**
Mr Carlos Obeid
Mr Rashed Darwish Al Ketbi
Mr Rasheed Ali Al Omaira
Mr Khaled Al Shamlan
Mr Mohamed Hussain Al Nowais

**Chief Executive Officer**
Mr Michael Raynes

### Head Office

PO Box 28922
Etihad Towers
42nd Floor, Tower 3
Abu Dhabi
U.A.E.

Tel: +971 (0)2 667 7343
Email: info@wahacapital.ae

### Auditor

Deloitte & Touche (M.E.)
PO Box 990
Al Sila Tower
Abu Dhabi Global Market Square
Abu Dhabi
U.A.E.

### Shareholders enquiries

All enquiries concerning shareholdings including notification of change of address, loss of a share certificate or dividend payments should be made to the Company's registrar.

### Investor relations enquiries

All investor relation enquiries can be directed to the Company's investor relations contact, Basma Al Mehairi, at the Company's Head Office.

## Online Communications

Financial results, events and corporate reports are all stored in the investor relations section of our website: www.wahacapital.ae/investor-relations

Market disclosures can also be found on the ADX website: www.adx.ae

2018 Annual Report and Accounts: www.wahacapital.ae/investor-relations/financial-reports

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