الواحة كابيتال
WAHA CAPITAL

Strength in diversity

Annual Report 2016

Financial Highlights

10.01 bn
Total assets (AED)

407 m
Net Profit attributable to owners (AED)

1.16 bn
Total income (AED)

10.5%
Return on average equity

345.8 m
Capital Markets total income (AED)

514.4 m
Principal Investments total income

Our Business Sectors

The company manages assets across a wide range of sectors.

- Established in 1997
- Headquartered in Abu Dhabi, UAE
- Diversified investments in direct assets, capital markets, private equity and private debt
- Offering capital markets and private equity funds to third-party investors
- Prominent UAE shareholders, including Mubadala Investment Company

Operations in 2016

In 2016, Waha Capital produced a solid performance while continuing to carry out its long-held strategy of asset and revenue diversification. The company deployed additional capital into its Asset Management division, building a strong offering that spans emerging market credit and equities, as well as private equity and private debt. Waha Capital also extended its successful collar hedging on its stake in AerCap Holdings, limiting downside risk while still being able to participate in significant potential upside. Waha Land made strong progress on its ALMARKAZ light industrial real estate project, securing financing for the next stage in its development, which has already begun.

Our Investments

Waha Capital's investment portfolio has been built over the last two decades through a strategy of geographic and sectorial diversification. Major assets include the world's largest aircraft leasing firm, high-potential energy and healthcare firms in the Middle East, and actively managed funds that invest in emerging market credit and equities.

Principal Investments

The Principal Investments division invests proprietary capital directly in diverse assets

Asset Management

The Asset Management division manages capital markets and private equity funds, as well as private debt platform, which contain significant seed capital deployed by Waha Capital.
The funds are open to third-party investors.

44 %

Principal Investments: 44 percent of total income

30 %

Asset Management – Capital markets: 30 percent of total income

26 %

Asset Management – Private equity: 26 percent of total income

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: Principal Investments and Asset Management.

Both are supported by finance, human resources, information technology and communications.

About Waha Capital

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 manages assets across several sectors, including aircraft leasing, healthcare, financial services, oil & gas services, infrastructure, industrial real estate and capital markets.

Through its Principal Investments unit, Waha Capital has established a strong investment track-record, deploying capital in sectors that display robust demand fundamentals and that have been prioritised by governments in the Middle East and North Africa region.

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

The excellent performance of the company's principal investments and capital markets portfolios has laid the foundations for the launch of an asset management business aimed at third-party investors.

Established in 1997, Waha Capital has been consistently profitable – its investment teams are singularly focused on deploying capital efficiently, where they see and 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 Development Company, and a distinguished board, chaired by H.E. Hussain Jasim Al Nowais.

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. By investing in key growth sectors, the company is a contributor to the ongoing development of a dynamic private sector – an important component of the region's economic diversification plans.

Over two decades, Waha Capital has contributed to the socio-economic development of the UAE, achieving strong growth through diversification

Our Milestones

1997

Established under the name of "Oasis International Leasing Company PJSC"

2008

Co-founded and acquired 25 percent stake in Dunia Finance

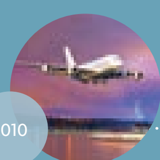
Acquired a 49 percent stake in Stanford Marine Group (SMG)

2009

Acquired a 50 percent stake in AerVenture

Launched Waha Offshore Marine Services (WOMS)

Completed AED USD 1.2 billion Capital Raising Mandate



2010

Acquired a 20 percent stake in AerCap

Commenced construction on ALMARKAZ development project

2011

Arranged a USD 505 million term and revolving credit facility

Completed AED 1.9 billion Capital Raising Mandate

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

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 sqm 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)

Acquired a 20.6 percent stake in NPS Holdings Limited

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

"The management of Waha Capital has adopted a successful diversification strategy and is firmly focused on prudent financial management. This has enhanced our ability to move forward with our long-term strategy, which aims to create maximum shareholder value."

Hussain Jasim Al Nowais Chairman of Waha Capital

Dear Shareholders,

The operating environment for Waha Capital in 2016 continued to be challenging, with various global economic indicators trending negatively. Reduced oil prices, slowing growth in the Chinese economy, and geopolitical issues in parts of the Middle East continued to pose serious challenges.

It is evident that the global economy will continue to experience uncertainty in 2017, with lower growth rates expected across oil-exporting countries and emerging markets.

On the local level, the performance of our national economy was impacted by many of the same factors. Although certain sectors were impacted, prudent policy steps by the government at the local and federal levels, continued stability, and the vision of our leadership contributed to softening the economic impact. The local economy has therefore continued on its growth path.

In the meantime, Waha Capital has shown an ability to adapt and effectively manage risk, which has resulted in the robust financial results that we have reported for 2016.

Our company realised a net profit of AED 407 million, with key financial metrics remaining strong. This allowed the company to propose a strong dividend of AED 0.20 per share for the year.

The management of Waha Capital has adopted a successful diversification strategy and is firmly focused on prudent financial management. This has enhanced our ability to move forward with our long-term strategy, which aims to create maximum shareholder value.

We are committed to taking advantage of high-potential investment opportunities, while implementing a strong risk management framework and maintaining strong performance across our well-balanced investment portfolios.

On behalf of Waha Capital's board, management and employees, it is my honour to extend our most 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.

I would also like to thank board members for their wise guidance and deliberations, which have ensured the company's enduring success. Appreciation is also due to members of the executive management team and all our team members at Waha Capital. Your dedication and loyalty are our key assets, so thank you for all your efforts.

Hussain Jasim Al Nowais,
Chairman of Waha Capital

0.20

Proposed dividend per share (AED)

407 m

2016 net profit (AED)

"The company's strategy of diversification has ensured that when certain assets, sectors or geographies are affected by a difficult operating environment, the impact on shareholder value is cushioned."

Salem Rashid Al Noaimi Chief Executive Officer & Managing Director

Waha Capital continued to be a highly profitable business despite the challenging macro-economic context in 2016, recording a total net income of AED 407 million – a return on average equity of 10.5 percent.

The company's strategy of diversification has ensured that when certain assets, sectors or geographies are affected by a difficult operating environment, the impact on shareholder value is cushioned.

Over the last five years, we have focused on building a robust Capital Markets business to complement our Principal Investments, in order to diversify our revenue streams and enhance liquidity.

The Capital Markets division reported a 76 percent increase in total income in 2016 and now accounts for 30 percent of total income, and 30 percent of assets. Our flagship emerging markets credit and equities funds continued to significantly outperform, adding to an impressive track-record that we have now taken to market.

Our Asset Management offering, which includes our capital markets funds and platforms that invest in private credit and private equity, is starting to gain traction among regional third-party investors. This will gradually add fee income to our overall revenue mix.

Although Principal Investments made lower contributions to our total income than in previous years, we believe that our major investments are holding up well.

For example, in 2016, AerCap's operating performance remained solid, with the company continuing to win significant contracts. This bodes well for the future.

We have also seen Waha Land mature and deliver steady rental income from its ALMARKAZ light industrial real estate development, following the successful leasing of its existing facilities. In 2016, the company secured a significant financing package for the further development of the project, laying the foundations for further growth in the coming years.

Certain sectors are experiencing a challenging operating environment, and our investments have not been immune. For example, Dubai-based consumer finance firm Dunia Group made a lower contribution to our total income in 2016.

In such cases it is important that Waha Capital remains steadfast. Our investment teams are singularly focused on value creation for all of our assets and through our board representation, we are working hard to implement strategies to promote stability and growth across the Principal Investments portfolio.

Meanwhile, the current economic conditions in the Gulf Cooperation Council countries may well result in attractive investment opportunities.

Thanks to our prudent financial management in recent years, Waha Capital is in an excellent position to take advantage, if we see growth potential and value.

We have a reputation for expertise in identifying the right opportunities, and an ability to act nimbly to grasp them. Our expert teams are adept at utilising their strong regional networks, and rely on extensive research to source and analyse investments. They follow well-defined investment processes, governed by a rigorous framework to assess and mitigate diverse risks.

We firmly believe that by investing private capital in fast-growing sectors, Waha Capital can continue to deliver attractive returns to investors in the coming years as well as contributing to regional economic diversification.

I would like to take this opportunity to thank our shareholders for their continued support, and express my gratitude to the company's Board of Directors for their guidance. Finally, I would like to thank the company's management team and employees, for their dedication and drive to deliver on our strategy.

Salem Rashid Al Noaimi
Chief Executive Officer
& Managing Director

10.5 %

Return on equity

76 %

Capital Markets division total income up 76 percent

The Principal Investments business holds Waha Capital's proprietary investments across diversified industries, including aviation, oil and gas services, financial services, real estate and infrastructure. The division's core investments are AerCap Holdings, Waha Land, NPS Holdings Limited, Dunia Group, and MENA Infrastructure Fund.

The business has a long-term investment horizon, with a preference for joint control or significant minority stakes in stable 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 Principal Investments team brings together highly skilled asset managers as well as research analysts who have a proven track record of deal origination, execution, asset management and exits in the private sectors of both emerging and developed markets.

Operations in 2016:

The Principal Investments portfolio benefits from sectorial diversification, with exposure to both cyclical and defensive industries.

Although some sectors represented in the portfolio, notably oil and gas services and consumer finance, faced a challenging operating environment, the overall diversified portfolio remained robust.

Principal Investments contributed AED 514.4 million to Waha Capital's total income, and AED 491 million to net profit. The business represented 44 percent of Waha Capital's total income in 2016.

Waha Capital's Principal Investments division continues to take an active approach to board representation, working closely with the management teams of companies in its investment portfolio to create long-term value.

Aviation

AerCap Holdings

Stake: **15.23 percent**
Carrying Value: **AED 4.55 billion**
Investment date: **2010**

Key Facts & Figures

- Largest aircraft leasing firm in the world
- Portfolio of over 1,566 aircraft
- 99.5 percent fleet utilization
- 6.4 years average remaining lease term

Industrial Real Estate

Waha Land – ALMARKAZ

Stake: **100 percent**
Carrying Value: **AED 718 million**
Investment date: **2007**

Key Facts & Figures

- High-quality light industrial real estate development
- 6 km^2 of land grant from the Abu Dhabi government
- 90,000 sq m of space fully leased
- Secured AED 426 million of funding for Stage 2
- Development of Stage 2 underway

514.4 m

Total income (AED)

44 %

44 percent contribution to Waha Capital's total income

491 m

Net profit (AED)

64 %

Total assets

Our investments

- Aviation
- Industrial Real Estate
- Infrastructure
- Finance
- Oil & Gas Services

Infrastructure

MENA Infrastructure Fund

Stake: **33.3 percent** in GP; **17.9 percent** in LP
Carrying Value: **AED 76.8 million**
Investment date: **2007**

Key Facts & Figures

- 10-year fund with capital commitments of USD 300 million
- Originally invested in four assets in MENA region
- Divested two assets
- AED 157 million of distributions to Waha Capital to date

Finance

Dunia Group

Stake: **25 percent**
Carrying Value: **AED 185.9 million**
Investment date: **2008**

Key Facts & Figures

- Consumer finance for mass-affluent market
- Operates 19 branches
- Over 2,000 employees
- Serves over 255,000 customers
- Total assets of AED 2.2 billion
- Net loan book of AED 1.97 billion

Oil & Gas Services

NPS Holdings Limited

Stake: **20.72 percent**
Carrying Value: **AED 272 million**
Investment date: **2014**

Key Facts & Figures

- Leading provider of oil field services in MENA region
- Approximately 1,500 employees
- Operating in 13 countries
- Total assets of AED 2.1 billion

AerCap, a NYSE-listed company, is the world's leading aircraft leasing company. It acquires aircraft from manufacturers, airline operators, other aircraft-leasing companies and financial investors to lease to commercial airlines and cargo operators.

Waha Capital originally acquired a stake in the company in 2010 and has benefited from significant creation of shareholder value in recent years, notably through AerCap's acquisition of International Lease Finance Corp from American International Group Inc to create the world's largest aircraft leasing firm. Waha Capital's currently holds a 15.23 percent stake in the company.

In 2016, Waha Capital undertook several transactions on AerCap shares, including open-market trading of shares, and the extension of collar hedges that were originally implemented in the second half of 2014.

15.23%

Waha Capital holds a 15.23 percent stake in AerCap Holdings NV

The net effect of these transactions was that Waha Capital has locked in the value of its entire portfolio of 26.85 million AerCap shares at an average minimum price of US$38.36 per share, while allowing for future upside participation up to an average price of US$ 62.01 per share. All the collar hedges will mature progressively over the 2018-2020 period.

Waha Capital holds two seats on AerCap's Board of Directors, as well as representations on various Board sub-committees.

The key financial highlights of AerCap for the year 2016 were as follows:

- Reported net profit of USD 1,047 million compared to USD 1,179 million in 2015.
- Reported EPS of USD 5.64 compared to USD 5.78 in 2015.
- USD 9.5 billion of available liquidity as of 31 December 2016.
- Debt/equity ratio of 2.7 as of 31 December 2016.
- Repurchased 25 million shares in FY 2016 for USD 966 million.
- New USD 350 million share repurchase programme authorised, which will run through June 30, 2017.

The key highlights of AerCap for the year 2016 were as follows:

458

458 aircraft transactions executed, as follows:

- Signed lease agreements for 279 aircraft
- Purchased 38 aircraft
- Executed sale transactions for 141 aircraft

1,566

As of 31 December 2016, AerCap's portfolio consisted of 1,566 aircraft that were either owned, managed, or under contract to purchase.

For the 2016 financial year, AerCap earnings contribution accounted for 52 percent of Waha Capital's total income and its carrying value of AED 4.55 billion represents 45.4 percent of Waha Capital's total assets.

4.6 bn

Signed financing transactions for USD 4.6 billion

99.5 %

99.5 percent fleet utilization; with 7.4 years average age of owned fleet and 6.4 years average remaining lease term

Waha Land, a wholly owned subsidiary of Waha Capital, is currently engaged in developing ALMARKAZ, an integrated mixed-use industrial development with Grade “A” light 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 of the U.A.E. The ALMARKAZ development is on a 6 km2 area of land, which was granted by the Government of Abu Dhabi.

Waha Land has constructed roads and services infrastructure on 1.5 km2 of land and developed 90,000 m2 of small industrial units (SIUs).

The SIUs are fully leased out with a range of tenants from diverse industry segments in the SME space such as plastic and paper manufacturing, food preparation, oil & gas, defence and logistics.

In June 2016, Waha Land secured a AED 426 million facility with a local bank for further development of ALMARKAZ. This expansion will add 187,000 m2 of premium industrial and logistics facilities, and will also include retail and commercial amenities to enhance the business park experience.

100%

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

39.2 m

Total Revenue (AED)

26.5 m

Net profit before fair value adjustment (AED)

With construction already underway, 92,500 m^2 of new industrial space will be available for occupancy in late 2017.

This expansion is in line with Waha Land’s underlying ethos to execute a consistent and disciplined investment approach with emphasis on flexible assets to suit a variety of uses and support a diverse range of tenants and industry segments.

During the year ended 31 December 2016, Waha Land reported:

- Rental revenue and other income (prior to fair value adjustment) of AED 39.2 million (2015: AED 35.8 million); and
- Net profit (prior to fair value adjustment) of AED 26.5 million (2015: AED 22.7 million)

The carrying value of Waha Land was AED 717.8 million as at 31 December 2016, including a fair value adjustment of AED 40.5 million for the year.

MENA Infrastructure Fund ("the 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).

Waha Capital holds a 33.3 percent stake in the GP of MENA Infrastructure Fund

Waha Capital owns a stake in the general partnership, and is also an investor in the fund through a limited partnership interest.

The Fund has invested USD 223.6 million over seven years in four projects:

- Alexandria International Container Terminals: Holds concession to operate and maintain two container terminals in Egypt. The Fund's 30.3 percent stake in the asset was sold in February 2016.
- Qurayyah Independent Power Project (IPP): Owns and operates a 3.9GW gas-fired IPP in KSA in partnership with ACWA Power and Samsung C&T. The Fund's ownership in the project is 15 percent.
- United Power Company: Owns and operates a 270MW single-cycle gas-fired Manah IPP in Oman. The Fund's 38.1 percent stake in the project was sold in March 2016.

7.4 %

Dividend yield

81.8 m

Gross distribution to Waha Capital in 2016 (AED)

157 m

Distribution to Waha Capital since inception (AED)

- Sohar Power Company: Owns and operates a 585MW of combined-cycle gas-fired power generation and $150,000m^3$ of water desalination capacity in Oman. The Fund's ownership in the project is 20 percent.

During 2016, the Fund successfully exited from AICT and UPC, for which Waha Capital received gross distributions of AED 81.8 million including dividend and capital repayment. The fund's dividend yield is approximately 7.4 percent. Waha Capital originally committed to fund AED 197.7 million (17.9 percent of total commitment); invested a total of AED 167 million (USD 45.5 million) for its LP (17.9 percent) and GP (33.3 percent) stakes; and received c. AED 157 million in distributions.

Waha Capital owns a 25 percent stake in Dunia Finance and a 25 percent stake in Dunia Services, which together comprise Dunia Group.

Dunia Finance is a finance company regulated by the Central Bank of the U.A.E. and offers a range of financial solutions including personal loans, auto loans, credit cards, guarantees and deposits to its customers in the U.A.E.

Dunia Finance has recorded impressive growth, stable net interest margins and healthy profits over the last few years. Serving the salaried and mass affluent market, Dunia has grown its loan book at a rate of 41.5 percent CAGR since 2009.

During the year ended 31 December 2016, Dunia Finance achieved the following:

- Net interest income of AED 562.7 million, an increase of 3.0 percent on the corresponding period in 2015
- Net income of AED 71.3 million
- Customer base expanded to c. 255,000 customers, an increase of 20.9 percent from a year earlier
- Loan portfolio at AED 1.97 billion as at 31 December 2016
- Cost to income ratio reduced to 15.1 percent from 27.7 percent in 2015

Waha Capital holds a 25 percent stake in Dunia Group

562.7 m
Net interest income (AED)

71.3 m
Net profit (AED)

20.9 %
Customer numbers up 20.9 percent

- Customer deposits grew 7.2 percent year on year to AED 1.26 billion as at 31 December 2016
- Prudent impairment reserve of 3.0 percent of total loans and advances, providing a non-performing loan cover of 0.8 times
- Increase in bank facility to AED 565 million, cash and cash equivalents of AED 100.7 million and bank placements of AED 160.4 million
- Paid a final dividend of AED 50 million for the financial year 2015 in May 2016 and interim dividend of AED 42 million for the financial year 2016 in December 2016.

Dunia Services FZ LLC offers a range of services including strategy and management consulting and knowledge and business process outsourcing to a range of customers including commercial banks, finance companies and insurance companies.

In 2016, the company recorded a net income of AED 1.8 million, while paying a maiden dividend of AED 33 million for the 2015 financial year and an interim dividend of AED 14 million for the 2016 financial year.

The carrying value of Dunia Group was AED 185.9 million as at 31 December 2016.

Waha Capital acquired a 20.2 percent stake in NPS Holdings Limited in June 2014, as part of a consortium, including Fajr Capital, APICORP and Al Nowais Investments.

NPS Holdings Limited owns a controlling stake in NPS Bahrain, which was formed in 2007 through the merger of Qatari and Saudi oil field service providers. Through its various subsidiaries and joint ventures, the company has presence in Saudi Arabia, Qatar, United Arab Emirates, Brunei, India, Libya, Bahrain, Iraq, Algeria and Malaysia.

The company's principal activities include well services (such as cementing, coiled tubing, stimulation and other), drilling and workover, well testing and wireline services.

20.72%

Waha Capital holds a 20.72 percent stake in NPS Holdings Limited

1.9 bn

Secured contract in 2016 (AED)

822.4 m

Revenue (AED)

During the year ended 31 December 2016, NPS Holdings Limited reported the following:

- Secured contracts worth AED 1,920.5 million (2015: AED 150.6 million), taking current contracts-in-progress to AED 2,458.4 million (2015: AED 1,212.5 million)
- Invested AED 229.3 million in capital expenditure (2015: AED 213.2 million);
- Available banking facilities with regional banks for a limit of AED 734 million bearing competitive interest.
- Revenue of AED 822.4 million (2015: AED 747.6 million); and
- A gross book value of property, plant and equipment as at 31 December 2016 of AED 1,575.6 million (2015: AED 1,387.9 million).

Waha Capital's stake in NPS Holdings Limited as an equity-accounted investee was carried at AED 271.8 million as at 31 December 2016.

In order to accelerate revenue diversification and earnings growth, Waha Capital launched an Asset Management business in 2015, which builds on the strong foundations of the company's capital markets and principal investments, offering third-party investors access to listed credit and equity markets and private equity opportunities.

In 2016, the Asset Management division actively marketed three capital markets funds to third-party investors: Waha CEEMEA Fixed Income Fund SP, Waha MENA Equity Fund SP and MENA Value Fund SP. The company has also launched a new platform, Waha Private Debt, to invest in private debt.

The funds are managed by Waha Investment PrJSC, which is licensed by the UAE Central Bank and the Securities & Commodities Authority. They 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.

Total assets managed by Waha Investment PrJSC, including third party subscriptions, amounted to AED 1.5 billion as of 31 December 2016.

Waha Capital is also offering investors access to attractive growth opportunities across the MENA region through a private equity fund. The fund is targeting sectors where Waha Capital has built significant expertise, such as healthcare, oil & gas services and facilities management, with a focus on small and mid-cap businesses with experienced management teams. Investments are likely to be majority stakes, including alongside other strategic partners. Anglo Arabian Healthcare is a seed asset for the fund.

Asset manager:
Waha Investment PrJSC

Asset manager regulator:
UAE Central Bank and UAE Securities & Commodities Authority

Domicile:
Cayman Islands

Fund regulator:
Cayman Islands Monetary Authority

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

Asset Management | Capital Markets in 2016

345.8 m
Total income (AED)

270.9 m
Net profit (AED)

1.5 bn
Total assets managed (AED)

30 %
30 percent contribution to Waha Capital's total income

Capital Markets

The Asset Management division manages three funds that invest in capital markets: Waha CEEMEA Fixed Income Fund SP, Waha MENA Equity Fund SP and MENA Value Fund SP.

Private Equity

Waha Capital has established a private equity platform seeded with stakes the company holds in Anglo-Arabian Healthcare and is looking to open opportunities to third-party investors.

Waha Private Debt

Waha Capital's Private Debt business will provide bespoke financing and direct lending solutions to mid-market companies in the Middle East, North Africa and Turkey region.

2016 was the strongest year to date for the Capital Markets division. The capital markets division continues to be the fastest-growing contributor to Waha Capital's top and bottom line. The team displayed exemplary performance in 2016 to build on its already impressive track-record of outperformance.

Total income generated by the Capital Markets division increased 76 percent to AED 345.8 million in 2016.

The Waha CEEMEA Fixed Income Fund returned a gross 20.4 percent in 2016 versus the JPM CEEMA CEMBI benchmark of 11.2 percent.

The Waha MENA Equity fund delivered a strong performance of a gross 18.1 percent during 2016, versus the S&P GCC Index of 4.2 percent.

The newly established Waha MENA Value fund returned a gross 16.4 percent in its inaugural year, versus the S&P GCC Index of 4.2 percent.

Going forward, the Capital Markets division looks to continue growing the platform and increase AUMs by raising third-party funds from regional and international investors.

Overview

The Capital Markets business of Waha Capital is a key contributor to the company's increasingly diversified asset mix and comprises investments in public capital markets and private transactions.

The company has invested over AED 1,000 million of seed capital in its funds, and is now actively marketing them to third-party investors, targeting institutions, family offices, and high-net-worth individuals.

The Capital Markets team has developed a solid track-record of outperformance over more than five 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 Capital Markets investment team brings together highly skilled risk and portfolio managers as well as research analysts, 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 portfolios managed by the Asset Management team.

Capital Markets, Waha CEEMEA Fixed Income Fund

The open-ended Waha CEMEEA Fixed Income Fund produced a total gross return of 20.4 percent in 2016, despite high volatility in the global credit markets as the U.S. Federal Reserve began to raise benchmark interest rates. The fund has given a total return since inception in 2015 of 93.8 percent.

The team is focused primarily on US dollar-denominated sovereign, corporate, and financial bonds issued in CEEMEA. Adopting a total return investment strategy, the fund manager remains focused on a long/short relative value investment mandate. 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.

Capital Markets, Waha MENA Equity Fund

The Waha MENA Equity Fund gave a total gross return of 18.4 percent in 2016, bringing the total return of the portfolio since inception in 2015 to 75.2 percent.

Focusing on equity investments encompassing the MENA region, the Fund's total return investment strategy is similar to the CEEMEA Fixed Income Fund, combining a "top down" view identifying broad investment themes with thorough "bottom-up" analysis at the individual security level. 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.

Capital Markets, Waha MENA Value Fund

The Waha MENA Value Fund produced a total gross return of 16.4 percent in its debut 2016 year.

The Waha MENA Value fund was launched in 2016; it seeks long-term capital appreciation with an estimated holding period of 3 years. Stocks are picked through carefully, and investment ideas are diligently selected across MENA that fit into the Value Investment Philosophy of the fund. Stocks are selected based on 5 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

20.4 %

Waha CEEMEA Fixed Income Fund total return 20.4 percent

18.1 %

Waha MENA Equity Fund total return 18.1 percent

16.4 %

Waha MENA Value Fund total return 16.4 percent

Waha Capital's Private Equity division is mandated to deploy capital into high-return investment opportunities across the Middle East and North Africa.

The business division is being seeded by the transfer of direct stakes in some of Waha Capital's existing portfolio investment – Anglo Arabian Healthcare – as well as proprietary and third-party capital for new investments. The private equity platform provides investors with access to fast-growing companies in the MENA region and the opportunity to achieve significant returns over a medium-term investment horizon.

This is achieved by identifying attractive acquisition targets across several sectors in the MENA region to deliver superior cash-on-cash returns.

Anglo Arabian Healthcare

In 2013, the Group made its first investment in the healthcare sector by acquiring Anglo Arabian Healthcare (AAH), a group established to deliver healthcare services throughout the United Arab Emirates.

295.1 m

Consolidated revenue (AED)

18%

Revenue up 18 percent in 2016

AAH owns and operates more than 30 business assets, employs more than 1,000 people and serves over 540,000 registered outpatients.

AAH's operating assets consist of 15 clinics, 5 pharmacies, 7 diagnostics centres, 1 medical education provider, 1 day-hospital and 1 new hospital which opened in Q4 2015. Subsequent to the launch of the new hospital, the inpatient capacity of 1,872 per annum has increased to c. 23,400 per annum. The launch of the new hospital, which is offering inpatient and outpatient services, was a significant milestone in the history of AAH.

During the year ended 31 December 2016, AAH has achieved the following:

Consolidated revenue of AED 295.1 million, a 18.2 percent increase on AED 249.7 million in the corresponding period in 2015. Consolidated revenue comprises AED 150.9 million (2015: AED 111.2 million) from laboratory services, AED 119.2 million (2015: AED 121.2 million) from patient fees and AED 25.0 million (2015: AED 17.3 million) from sale of pharmaceuticals. Shareholders' equity base attributable to owners of AED 196.2 million as at 31 December 2016 compared to AED 209.8 million as at 31 December 2015.

Waha Capital's new Private Debt business will provide bespoke financing and direct lending solutions to mid-market companies in the Middle East, North Africa and Turkey region.

The Private Debt business employs a cash flow-based approach to lending, providing financing and lending solutions tailored to the specific needs and requirements of borrowers and their respective business plans.

These funding requirements include growth and expansion capital, funds for share buybacks and special dividends, pre-IPO growth and acquisition financing, acquisition financing for management and leveraged buyouts, balance sheet recapitalisations and debt refinancing.

The business has the ability to structure its financing into a broad spectrum of instruments.

Investing in Structured Finance

Secured loans
Uni-tranche and multiple tranche loans
Mezzanine debt
Bonds
Preferred shares
Convertible loans and bonds
Convertible preferred shares
Warrants
Profit participations

These include secured loans, uni-tranche and multiple tranche loans, mezzanine debt, bonds, preferred shares, convertible loans and bonds, convertible preferred shares, warrants and profit participations. Our typical transaction will comprise some mix of the above-mentioned instruments. Our financing solutions will be provided either directly to companies seeking capital, to private equity firms in connection with financing a buyout, as well as to the portfolio companies of such private equity sponsors.

The Private Debt business is also able to provide both conventional and shariah-compliant financing structures.

Waha Capital's Private Debt business is sector-agnostic, and has evaluated transactions in many sectors, including healthcare, education, services, industrials, consumer staples, consumer discretionary and energy.

The division endeavours to work with counter-parties in a timely, responsive and transparent manner, with an emphasis on establishing, building and maintaining long-term relationships.

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.

Corporate Social Responsibility

Waha Capital believes that it is important for companies to contribute to the socio-economic development of the communities where they are active, and in 2016 the company continued its corporate social responsibility (CSR) programmes on a number of fronts.

Contributing to the Community

- Support for Ataya to build schools in war-torn areas
- Promotion of STEM (science, technology, engineering and mathematics) education and careers through Emirates Wildlife Society and Emirates Foundation
- Partnership with Dubai Cares and "BuildOn" to support the alleviation of human suffering and humanitarian crises
- Iftars for orphans and construction workers across the UAE during Ramadan

Waha Capital's CSR initiatives in the UAE are currently focused on the promotion of science and environmental education, to support the country's strategy for economic diversification into areas such as high-value manufacturing and other knowledge industries.

The company has partnered with the Emirates Wildlife Society (EWS-WWF) to support its Environmental Youth Champions Programme, which aims to raise awareness of climate change and to encourage scientific study among youth in the UAE.

Waha Capital is giving financial support, and its employees will assist the programme in engaging young people in environmental and scientific issues through field research and classroom activities.

The Environmental Youth Champions Programme focuses on engagement with the country's youth, supporting their hopes and aspirations to face the challenges of climate change through an inspirational lecture and a sustainability board-game workshop. Participants of the programme also engage with the UAE's natural environment through a two-day field experience that is made up of scientific research, theoretical lectures and lab work, covering a variety of climate change modules through the Future Scientists Programme.

Waha Capital also partnered with Emirates Foundation to promote education and careers in science and technology in the United Arab Emirates (UAE) through the organisation's "Think Science" programme.

Aimed at young Emiratis between 15 and 35, the "Think Science" initiative responds to a growing global shortage of young people studying science and technology to a high level, at a time when demand is growing – especially in the UAE – for scientists, doctors and engineers.

Aligned with the UAE's National Economic Development strategy to build a robust knowledge economy, the Think Science programme runs a national science competition that aims to challenge gifted youth across the UAE to think creatively and independently to solving practical problems with community benefits. A second component of the programme connects young scientists with key industry stakeholders to promote career opportunities. Emirates Foundation also organises an annual Think Science fair, an educational experience that has attracted 37,000 young people over the four years it has been running.

Waha Capital was also proud to contribute AED 10 million to Sandooq Al Watan, a fund that supports social development, research and development, and investment in the next generation of UAE talent.

Waha Capital's commitment to providing education opportunities also extended beyond the UAE, through the company's collaboration with the Ataya organisation to fund, design and build schools in war-torn countries across the world. The company also continued its support for a Dubai Cares initiative, adopting a primary school in the underprivileged rural village of Sukumbase Tole, located in western Nepal. The company's donation was used to construct and equip the school, and to provide the funds for two years of primary education and literacy classes for adults.

In the spirit of the holy month of Ramadan, Waha Capital's employees worked closely with the Red Crescent team to manage event logistics and help serve iftar meals to workers. The company also hosted another iftar for orphans in the UAE.

A disciplined approach to risk is important in a diversified organisation like ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. 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 strong risk management culture through all aspects of our business.

Risk Management at Waha Capital

Waha Capital's primary objective is to create long-term shareholder value by leveraging its expertise in managing investments, which necessarily involves undertaking financial risk. Therefore risk management is an integral part of our operations and permeates through every level of the organisation. 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 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

Waha Capital's philosophy is to have a strong culture of risk management, combined with a sound 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 both our Capital Markets, Private Equity and Principal 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 Capital Markets, Private Equity and Principal 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.

Waha Capital's philosophy is to have a strong culture of risk management, combined with a sound risk framework that effectively supports appropriate risk awareness, behaviours and sound decision making.

Dedicated Risk Management Team is an Integral Part of Our Business

The Risk Management team at Waha Capital sits independently from the Principal Investments and Asset Management (Private Equity and Capital 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 today as a business:

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

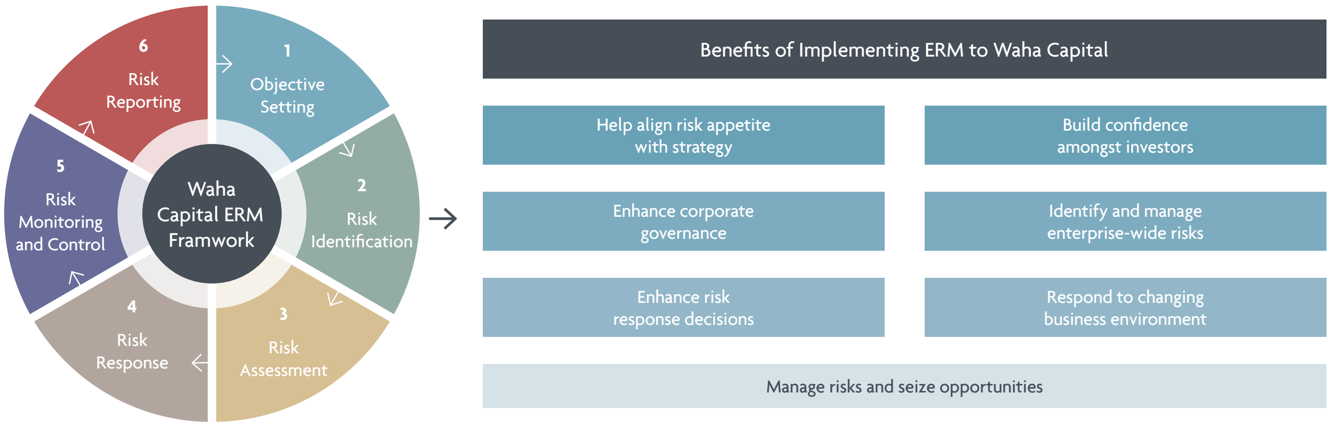
- Principal Investments and Private Equity – Risks are continuously assessed, controlled and managed through a comprehensive framework with clearly defined roles and responsibilities – starting at the Board level and permeating through senior management and other levels within the organisation.

Waha Capital has implemented an Enterprise Risk Management platform for its Principal Investments and Private Equity 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

- Capital Markets – Similarly, a comprehensive risk management platform has been developed for Waha Capital's Capital 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

Principal Investments and Private Equity

We employ a highly developed Enterprise Risk Management (ERM) framework to establish oversight, control and discipline of our Principal Investments and Private Equity assets, to drive continuous improvement of an entity's risk management capabilities in a changing operating environment.



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 Identification Techniques

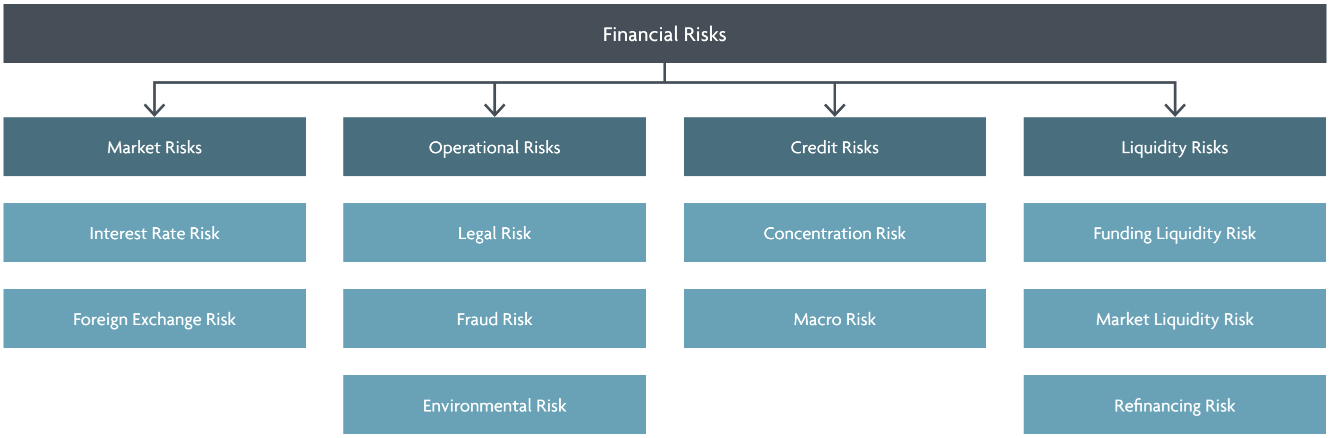
Likelihood Score							
Highly Probable	6	16	22	27	31	34	36
Probable	5	11	17	23	28	32	35
Good Chance	4	7	12	18	24	29	33
Possible	3	4	8	13	19	25	30
Less Likely	2	2	5	9	14	20	26
Remote	1	1	3	6	10	15	21
		1	2	3	4	5	6
		Insignificant	Minor	Moderate	High	Very High	Severe
		Impact Score					

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)

Capital 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 of 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 Capital Markets

The Capital Markets business faces a fundamentally different variety of risks to the Principal Investments or Private Equity business. While Principal Investments and Private Equity assets tend to be multi-year investments, Capital 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 Capital Markets portfolios, which are monitored on a continuous basis by the Risk Management team.

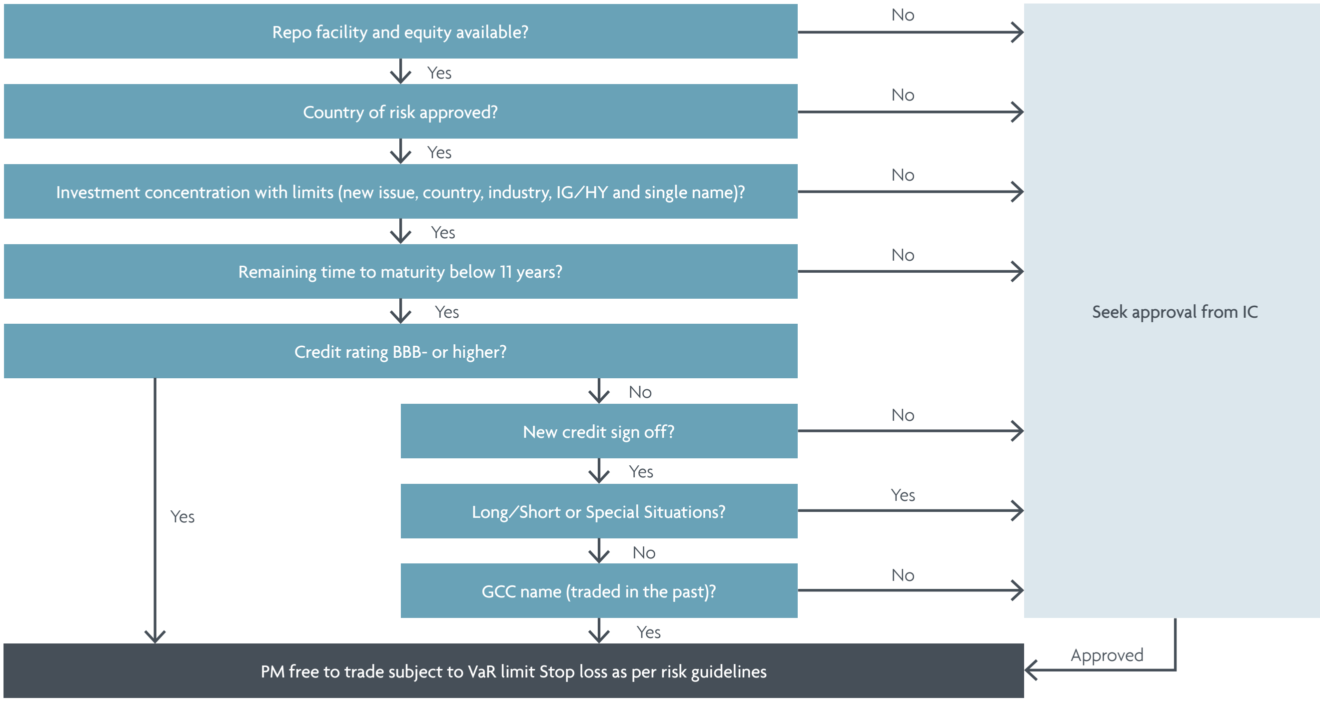
Role of the Investment Committee

- 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 policies 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 management to track the portfolio performance and positions on a weekly basis, and even daily during times of stress.

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:

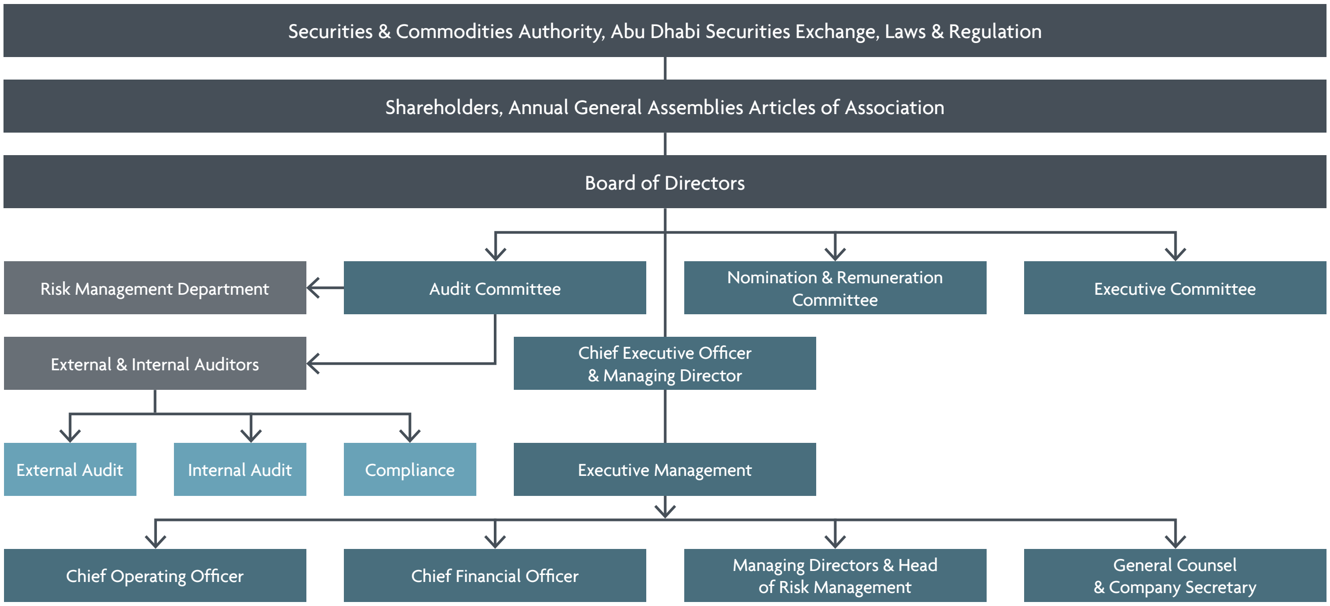
- Responsibilities of the Board and individual Directors;
- Terms of reference for each of the company's three Board Committees;
- Appropriate delegation of authority to Management;
- The Company's relationship with its shareholders;
- Internal controls, and compliance functions;
- Rules relating to 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 2016, which is available on our website www.wahacapital.ae.

Waha Capital has implemented a comprehensive corporate governance framework which is modelled on international best practice.

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 was elected by the Company's shareholders in the Company's 2015 Annual General Meeting held on 24 March 2015. Accordingly, all of the Directors' terms of office will expire upon the Company's Annual General Meeting in 2018.

All of Waha Capital's Directors are considered as non-executive, except for the CEO/MD who is an Executive Director. Three 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, the Nomination and Remuneration Committee and Executive 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.

Executive Committee

The Executive Committee acts on behalf of the Board when timing is critical. As such, it is authorised by the Board to fulfil the objects set out in the Company's Memorandum and Articles of Association, including the authorisation and negotiation of and entry into legally binding agreements on behalf of the Company. In particular, it has the following delegated authority, subject to a transaction value cap of AED 150 million:

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

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 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.

Mr. Amit Choudhary is the Company's Head of Internal Control Department and Compliance Officer. Amit is a qualified accountant with over 15 years of professional experience in audit and internal controls at globally reputed accounting firms. Amit reports to the Audit Committee, and enjoys operational independence from Management.

Internal Audit

During 2016, the Head of Internal Control carried out internal audits of several critical functions within the Company's healthcare subsidiary (AAH). The findings of these internal audit reviews were presented to the Company's Audit Committee, and recommendations were adopted for implementation by AAH management.

Additionally, due to the industry-wide increased risk of cyber security and use of information technology, an audit of the Company's Information Technology department is in progress. The findings of the audit will be presented to the Company's Audit Committee upon completion of the internal audit.

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 2013-2016 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 2016 amounted to AED 575,000 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 the 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 2016, 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 2016 dividend, its share buy-back programme, 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 close relatives) 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 with the prior written consent of 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 & Managing Director or Chief Operating Officer (or, in their 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 to 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 comprising the following members of Management:

- Mr. Salem Al Noaimi – Chief Executive Officer & Managing Director;
- Mr. Alain Dib – Chief Operating Officer; and
- Mr. Safwan Said – General Counsel & Company Secretary.

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 2016, 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 2016, the Directors were paid AED 18 million (in aggregate) in respect of the 2015 financial year. The Directors' fees for the 2016 financial year will be decided at the Company's Annual General Meeting for 2017.

No allowances were paid to Directors for their attendance of meetings of the Board or Board Committees in 2016.

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

H.E. Hussain Jasim Al Nowais
Chairman

His Excellency Mr. Al Nowais has over 26 years of experience in business management, banking, project finance, investment, as well as within the hospitality and real estate sectors. He has extensive experience in the development of industrial, infrastructure, and energy projects. Moreover, he has led the establishment of new businesses and acquisition of existing companies, primarily in the Gulf and wider Middle East region.

H.E. Al Nowais holds a number of board positions with large public and private companies. He is Chairman of Waha Capital, SENAAT, National Petroleum Construction Company (NPCC), Khalifa Fund for Enterprise Development, Al Nowais Investments and MENA Infrastructure Fund.

H.E. Al Nowais holds a Bachelor of Arts degree in Business Administration with a major in Finance from Lewis & Clark College in Portland, Oregon, USA. He has since attended various Executive Management courses at INSEAD in France and London Business School in the UK.

H.E. Abubaker Seddiq Al Khoori
Vice Chairman

His Excellency Mr. Al Khoori is the Chairman of Aldar Properties. Previously, he was the Managing Director of Sorouh Real Estate, and worked as the Assistant Director of the Abu Dhabi Investment Authority.

Mr. Al Khoori has over 21 years of experience in the fields of finance and international investment and over 9 years in the real estate sector. He is currently the Vice Chairman of Waha Capital PJSC. He is also a board member in Abu Dhabi Ports Company (ADPC) and Abu Dhabi Airports Company (ADAC).

H.E. Al Khoori holds a degree in Finance from Linfield College in McMinnville, Oregon, USA, and is a certified Chartered Financial Analyst (CFA) and a member of AIMR.

Salem Rashid Al Noaimi
Chief Executive Officer
and Managing Director

Mr. Salem Rashid Al Noaimi is Waha Capital's Chief Executive Officer and Managing Director.

Mr. Al Noaimi has led Waha Capital since 2009, overseeing the company's strategic transformation into a leading investment company, managing proprietary and third-party assets. Previously, he served as the Deputy CEO of Waha Capital, and CEO of Waha Leasing.

Earlier in his career, Mr. Al Noaimi held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development, and Kraft Foods. He serves on the board of a number of companies, including New York-listed AerCap Holdings, Abu Dhabi Ship Building, Dunia Finance, Anglo Arabian Healthcare, Al Bashayer Investment Company PrJSC, NPS Holdings Limited and Al Dhafra Insurance Co. PJSC

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

Ahmed Ali Al Dhaheri
Director

Mr. Al Dhaheri is Chairman of Ali & Sons Holding LLC, and Foodco Holding PJSC. He also serves on the boards of Al Wathba National Insurance Co PJSC and Abu Dhabi Aviation.

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

Carlos Obeid
Director

Mr. Obeid is the Group Chief Financial Officer of Mubadala Development 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.

H.E. Fahad Saeed Al Raqbani
Director

His Excellency Mr. Al Raqbani is a senior executive with Mubadala Development Company. Previously, he was the Director General of Abu Dhabi Council for Economic Development. He held senior roles at UAE Offsets Group. In addition to Waha Capital, he serves on several boards including Emirates Steel Company, Tabreed, Duke University and Future Centre for Special Needs.

H.E. Al Raqbani holds a degree in International Economics from the American University of Paris and a Master's degree in Finance and Risk Management from Lille Graduate School of Management.

Mansour Mohamed AlMulla
Director

Mr. AlMulla is the Chief Financial Officer of Mubadala Petroleum LLC, a regional Exploration & Production player who owns and operates multiple oil and gas concessions in the Middle East and South East Asia. He oversees multiple functions, including Finance, Corporate Support, Systems/IT, Supply Chain Management and Corporate Strategy. In addition to Waha Capital, he serves on the boards of Aldar Properties PJSC and Anglo Arabian Healthcare Investments LLC. Mr. AlMulla has more than 17 years of work experience.

Mr. AlMulla holds a Bachelor of Science in Business Administration from Portland State University, Portland, Oregon, USA.

Executive Management

Salem Rashid Al Noaimi
Chief Executive Officer
and Managing Director

Mr. Salem Rashid Al Noaimi is Waha Capital's Chief Executive Officer and Managing Director.

Mr. Al Noaimi has led Waha Capital since 2009, overseeing the company's strategic transformation into a leading investment company, managing proprietary and third-party assets. Previously, he served as the Deputy CEO of Waha Capital, and CEO of Waha Leasing.

Earlier in his career, Mr. Al Noaimi held various positions at Dubai Islamic Bank, the UAE Central Bank, the Abu Dhabi Fund for Development, and Kraft Foods. He serves on the board of a number of companies, including New York-listed AerCap Holdings, Abu Dhabi Ship Building, Dunia Finance, Anglo Arabian Healthcare, Al Bashayer Investment Company PrJSC, NPS Holdings Limited and Al Dhafra Insurance Co. PJSC.

Mr. Al Noaimi is a UAE national and holds a degree in Finance and International Business from North-eastern University in Boston, USA.

Alain Dib
Chief Operating Officer

Mr. Alain Dib joined Waha Capital in 2016 as Chief Operating Officer, to oversee the company's operations, business development and investment activities. Mr. Dib joined Waha Capital after a 20-year career at BNP Paribas, where he held senior investment banking positions, including in leveraged finance, acquisition finance, high yield debt and convertible bond origination.

Prior to that, Mr. Dib was based in London as the Managing Director, Head of Equity Capital Markets EMEA, for BNP Paribas and a member of the Corporate Finance Management UK and CIB Management Committees. He had also headed the bank's Restructuring and Advisory Group, the Distressed Finance Group, and was joint-head for the European High Yield Group. Mr. Dib previously also worked at Deutsche Bank as a Managing Director in its European Leverage Finance Group. He holds a Sup de Co degree from the Reims Management School in France.

Sana Khater
Chief Financial Officer

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

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

Ms. Khater is a Certified Public Accountant and a Certified Management Accountant at McGill University in Montreal. She also holds a Bachelor's degree in Mathematics and an MBA from the American University of Beirut. She has recently obtained the ACA accreditation by the ICAEW.

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 12 years experience in construction, design management and real estate development, Mr. Al Nowais 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).

Abdellah Sbai
Managing Director,
Head of Capital Markets

Mr. Abdellah Sbai is the head of the Capital Markets division, leading investment in emerging markets fixed income, equities and private credit. He is also responsible for raising third-party assets for Waha Capital Markets funds.

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

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.

Hani Ramadan
Managing Director,
Head of Private Equity

Mr. Ramadan heads Waha Capital's Private Equity team, and is responsible for capital raising, origination and execution of transactions, and overall investment strategy.

Mr. Ramadan joined Waha Capital in 2009 and has over 17 years of experience in investment banking, principal investing and private equity in New York, London and the United Arab Emirates.

Before joining Waha Capital, Mr. Ramadan held an Executive Director position with the investment banking team at Morgan Stanley in London and Dubai, covering sovereign wealth funds and financial sponsors. Prior to Morgan Stanley, Mr. Ramadan held the position of Vice President with the investment banking team at UBS in New York and London, where he primarily covered the industrial and transportation sectors. Mr. Ramadan began his career with Abdul Latif Jameel Group in Saudi Arabia, where he was part of the consulting and operational enhancement team.

Mr. Ramadan holds a Master of Business Administration from New York University, Stern School of Business, a Bachelor of Business Administration from the American University of Beirut, and is a CFA charterholder.

Fahad Al Qassim
Managing Director,
Head of Principal Investments

Mr. Al Qassim heads Waha Capital's Principal Investments team, managing strategic proprietary investments, such as AerCap, Dunia Finance and Waha Land. He sits on the board of a number of companies, including Bahrain's Addax Bank, Al Bashayer Investment Banking, First Education Holding; in addition to serving as the company's representative on Dunia Finance's board.

Prior to joining Waha Capital in 2009, Mr. Al Qassim held various positions at the Executive Council in the Government of Dubai, Dubai Islamic Bank, and Dubai Aluminum Company.

Mr. Al Qassim is a UAE national and holds a BSc. (Hons) in Applied Computing from Leeds Metropolitan University, Leeds, UK and a Master of Business Administration (MBA) specializing in Finance & Investments from Monash University, Melbourne, Australia.

Chakib Aabouche
Managing Director,
Head of Risk Management

Mr. Aabouche heads the Risk Management function at Waha Capital, covering the company's capital markets and principal investments activities.

Previously, he was a Director in the Risk Solutions Group covering the Middle-East and North Africa at Barclays Capital in Dubai.

Prior to that, Mr. Aabouche served as Director in Citigroup's corporate and investment bank in Bahrain, heading the Treasury Sales and Derivatives Marketing team for the MENA region (excluding UAE). Earlier with Citigroup, he was Head of Sales and Trading in Morocco.

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

Safwan Said
General Counsel
and Company Secretary

Mr. Said leads the Waha Capital legal team, and is responsible for the company's legal affairs, corporate governance, and company secretarial and compliance functions. He is also a member of the company's Investment Committee. Prior to joining Waha Capital in 2010, Mr. Said practised law for over 10 years at top-tier international law firms in Dubai and Melbourne, where he led a wide variety of international corporate transactions.

Mr. Said is qualified as a barrister and solicitor in Australia, and holds a Bachelor of Laws (with Honours) and a Bachelor of Arts from the University of Melbourne, Australia. He is a member of the Law Institute of Victoria, Australia and the International Bar Association.

Amer Aidi
Head of Marketing
and Corporate Communications

Mr. Amer Aidi leads Waha Capital's marketing and corporate communications efforts, and advises the company's senior leadership team. He is responsible for the stewardship of the Waha Capital brand and the delivery of marketing and communications programmes that support the company's business ambitions. Prior to joining Waha Capital in 2014, Mr. Aidi worked with globally renowned organisations such as BMW, Citibank, Nestlé, Majid Al Futtaim and Amlak Finance, helping them build their brands regionally and internationally.

Mr. Aidi holds a BA in Business Communications from the University of Kansas, USA and is currently pursuing a Master's in Integrated Marketing from New York University. He is an active member of the Chief Marketing Officer Council and the Middle East Public Relations Association.

Ergham Albachir
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, learning and 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 Affairs 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 holds an MBA from the University of Liverpool, UK. Currently she is a research associate at Henley Business School, Leadership and Organizational Behavior, in preparation for a Doctorate of Business Administration.

Fady Sleiman
Head of Information Technology

Mr. Sleiman is responsible for information technology at Waha Capital and spearheads the company's operational transformation programme. He has over 15 years of experience in the finance, oil and gas, healthcare and aviation sectors in Europe, Asia, the Middle East and North America. Prior to joining Waha Capital, Mr. Sleiman was Chief Information Officer for the Middle East, Africa and Turkey at GE, having started his career with the company's Information Technology Leadership Program at GE Crotonville's Jack Welch Management Institute.

Mr. Sleiman has a BSC Honours in computer science with business information systems from Nottingham Trent University.

Financial Statements for the year ended 31 December 2016

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 2016, 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 2016, 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
Accounting for collar financing and repurchase liabilities	
Refer to note 3 for the accounting policy and note 17 for related disclosures. The Group has different sources of borrowings including collar financing and repurchase liabilities. *Collar financing* The Group has raised an interest bearing financing through lending of approximately 15.23% stake in AerCap. The outstanding collar financing liability as at year-end was AED 3,656,910 thousand (2015: AED 3,876,470 thousand). *Repurchase liabilities* In addition, the Group has repurchase liabilities representing the Group's effective borrowings against its investment in listed fixed income securities under a repurchase contract of AED 2,185,667 thousand (2015: AED 1,200,944 thousand). The recognition and measurement of the collar financing and the repurchase liabilities is considered a significant audit risk due to materiality of the carrying amount as it represents 84% (2015: 89%) of the total liabilities.	As part of our audit procedures, we have: • Obtained and perused the collar financing and repurchase agreements, and the terms of the executed transactions to assess the applied accounting treatments and compliance with IFRS requirements; • Obtained an understanding of the collar financing and repurchase liabilities from the relevant departments and reviewed the risk management strategies and objectives; • We have sent confirmation requests to custodians to confirm the outstanding balances as of 31 December 2016 and compared the responses received with the amounts recorded in the general ledger; • We have checked the proper accounting treatment as financial liabilities at amortised cost; and • We have ensured that adequate disclosures were made in the financial statements in line with the respective accounting standards.

Key audit matter	How the matter was addressed in our audit
Accounting for 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). Investments in equity-accounted associates and joint ventures amounted to AED 5.03 billion (50% of total assets) and AED 4.71 billion (49% of total assets) as at 31 December 2016 and 2015, respectively. 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 of these investments require significant judgement and there is the risk that valuation of the assets may be incorrect and any potential impairment charge miscalculated. Furthermore, there is a risk that associates and joint ventures are not accounted for and disclosed properly. As such, we have identified the impairment assessment, equity accounting and disclosure for the investments in equity accounted associates and joint ventures as representing key audit matters due to the significance of the balance to the financial statements as a whole, combined with the judgement associated in conducting the impairment assessment.	As part of our audit procedures, we have: • Perused the sale and purchase agreements, shareholder agreements and other supporting documentation and ensured that they are properly accounted for in accordance with IAS 28 and IFRS 11; • Ensured proper equity accounting was carried out during the year by looking at the post-acquisition change in the Group's share of net assets of the associates and joint ventures. In particular, we have: - Evaluated the purchase price allocation adjustments; - Tested additions and disposals of investments made during the period; and - Checked the accuracy for computation of share of dividend income and profit or loss and other comprehensive income of the associates and joint ventures. • Assessed the adequacy of the disclosures presented within the consolidated financial statements to ensure they are in accordance with IFRS 12; • Sent group referral instructions to the respective component auditors for significant investments to be involved in the respective audits from the planning stage to the concluding stage and to gain comfort on the audit procedures performed by the component auditors over the financial statements of each significant investment; • Evaluated the reasonableness of management's assumptions and estimates used in determining the recoverable values of material investments. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry; and • In addition, we have tested management's sensitivity analysis and stress test scenarios around key drivers of cash flow forecasts.
Assessment of control, joint control and significant influence on investments	
Refer to note 3 (accounting policy) and note 5 and 12 (financial disclosures). There is a risk that management has made an error in judgement or 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 primary financial statements and on the disclosures within the financial statements.	As part of our audit procedures, we have: • 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, have significant influence or jointly controls portfolio companies, funds, and other entities; • Performed a detailed analysis of any equity interests in portfolio companies, funds, and other entities; • Reviewed legal documents to support any key judgments management has made in determining whether they control or have significant influence over an investee e.g. power over relevant activities; and • We have tested the consolidation process to assess whether the conclusions reached have been appropriately applied in the preparation of the consolidated financial statements and adequate disclosures have been made in the financial statements.

Key audit matters continued

Key audit matter	How the matter was addressed in our audit
Valuation and accounting of equity price collars designated as hedging instruments	
Refer to note 3 (accounting policy) and note 13 (financial disclosures). The Group carried equity price collars on approximately 15.23% stake in AerCap, representing an investment of AED 391.41 million (2015: AED 225.94 million), at floor and cap prices. The equity price collars have been designated as cash flow hedging instruments, hedging the cash proceeds on a highly probable future sale of AerCap shares, and accounted for as at fair value through OCI. As at 31 December 2016 and 2015, the positive fair value on equity price collars amounted to AED 433.46 million and AED 275.26 million, respectively. The valuation and accounting of the cash flow hedging instruments and consideration of hedge effectiveness can involve a significant degree of complexity and management judgement and are subject to an inherent risk of error. Given the significant account balance and the complexity of the accounting requirements, we have assessed the valuation, accounting and application of hedge accounting of the equity price collars as a key audit matter.	As part of our audit procedures, we have: • Held discussions with the finance, risk management and other related business units to assess the risk management process, strategy and objective; • Evaluated and tested the Group's key controls around valuation of equity price collars; Performed the following procedures with the assistance of our valuation specialists: • Tested inputs into the valuation models, assessing the reasonableness of the assumptions used in the models, checking the accuracy of the computation and ensuring the accounting for the fair value change is appropriate; • Obtained and reviewed the management work on the effectiveness of the hedge in offsetting exposure inherent in the hedged item throughout the expected term of hedge; • Reviewed the hedge documentation evidencing the specific designation of the equity price collar as a cash flow hedge and how this hedge is expected to be achieved and measured that is consistent with the Group's management strategy and objectives; and • Assessed whether the financial statement disclosures are appropriate.
Recognition, valuation and disclosure of investment properties	
Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 8 (financial disclosures). The Group's investment properties amounted to AED 680.57 million (7% of total assets) and AED 696.01 million (7% of total assets) as at 31 December 2016 and 2015, respectively. 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. 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, valuation and disclosure of investment properties as a key audit matter in view of the significant judgments involved.	As part of our audit procedures, we have: • 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; • 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; • 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; • Discussed with external valuer on the valuation methods, inputs and key assumptions applied; • 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; • Evaluated the management's established criteria for recognition of government grants for reasonability; and • Critically assessed the adequacy of the Group's disclosures to be in accordance with the requirements of IFRS 13 for fair value measurements, valuation techniques, changes in estimates during the period, significant unobservable inputs and the sensitivities to the key assumptions.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and other intangible assets	
Refer to note 3 (significant accounting policies), note 4 (Critical accounting judgements) and note 9 (financial disclosures). As at 31 December 2016, goodwill and intangible assets amounting to AED 163 million (2015: AED 174 million) have been recognised in the consolidated statement of financial position as a consequence of the acquisitive nature of the Group. As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and intangible assets with indefinite useful lives. This is performed using discounted cash flow models. As disclosed in note 4 and 8, there are a number of key sensitive judgements made in determining the inputs into these models which include: • Revenue growth (including market share and volume growth); • Operating margins; and • Discount rates applied to the projected future cash flows. Accordingly, the impairment of these assets is considered to be a key audit matter.	As part of our audit procedures, we have performed the following with the assistance of our valuation specialists: • Evaluated whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36; • Validated the assumptions used to calculate the discount rates and recalculated these rates for accuracy; • Analysed the future projected cash flows used in the models to determine whether they are reasonable and supported by the current macroeconomic climate and expected future performance of the Cash Generating Units; • Compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins against historical performance to test the accuracy of management's projections; and • Subjected the key assumptions to sensitivity analyses.

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.

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

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

Further, 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 2016;

vi) note 24 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 2016 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 2016; and

viii) note 22 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Georges F. Najem
Registration No. 809
22 February 2017
Abu Dhabi, United Arab Emirates

Consolidated Statement of Financial Position
As at 31 December

	Note	2016 AED '000	2015 AED '000
ASSETS			
Furniture and equipment	7	70,316	40,012
Investment property	8	680,569	696,010
Goodwill and intangible assets	9	162,753	174,296
Investments in finance leases	10	11,388	17,774
Loan investments	11	232,963	232,963
Investments in equity-accounted associates and joint ventures	12	5,033,561	4,714,977
Financial investments	13	2,820,952	2,220,908
Inventories		10,619	8,661
Trade and other receivables	14	388,598	348,677
Cash and cash equivalents	15	602,262	1,151,658
Total assets		10,013,981	9,605,936
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,944,515	1,944,515
Treasury shares	16	(267,184)	(233,168)
Retained earnings		1,710,069	1,713,958
Reserves		483,597	445,289
Equity attributable to the Owners of the Company		3,870,997	3,870,594
Non-controlling interests	5.2	314,568	56,720
Total equity		4,185,565	3,927,314
Liabilities			
Borrowings	17	5,464,877	5,322,255
End of service benefit provision		29,268	21,715
Trade and other liabilities	18	334,271	334,652
Total liabilities		5,828,416	5,678,622
Total equity and liabilities		10,013,981	9,605,936

These consolidated financial statements were authorised for issue by the Board of Directors on 22 February 2017 and signed on their behalf by:

Chairman

CEO & Managing Director

Chief Financial Officer

The notes numbered 1 to 27 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 48.

Consolidated Statement of Profit or Loss
For the year ended 31 December

	Note	2016 AED '000	2015 AED '000
Revenue from sale of goods and services	19	327,112	277,285
Cost of sale of goods and services	19	(166,892)	(87,077)
Gross profit		160,220	190,208
Income from equity-accounted associates and joint ventures, net	12	489,111	610,316
Loss on disposal of equity-accounted associates and joint ventures	12	(16,401)	–
Income from financial investments	20	380,048	202,407
Other (expenses)/income, net	21	(17,646)	6,318
General and administrative expenses	22	(446,067)	(357,923)
Finance cost, net	23	(146,504)	(73,157)
Profit for the year		402,761	578,169
Profit/(loss) for the year attributable to:			
Owners of the Company		407,169	587,841
Non-controlling interests		(4,408)	(9,672)
Profit for the year		402,761	578,169
Basic and diluted earnings per share attributable to the Owners of the Company (AED)	16	0.220	0.312

The notes numbered 1 to 27 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 48.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December

	2016 AED '000	2015 AED '000
Profit for the year	402,761	578,169
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	18,465	(354,258)
Hedge reserve reclassification adjustments for amounts recognised in profit or loss (note 20)	(25,733)	–
Share of change in other reserves of equity-accounted associates and joint ventures	(720)	861
Release of share of other reserves of equity-accounted associates and joint ventures upon disposal	(36)	–
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)	5,615	11,080
Total comprehensive income for the year	400,352	235,852
Total comprehensive income/(loss) attributable to:		
Owners of the Company	404,760	245,524
Non-controlling interests	(4,408)	(9,672)
Total comprehensive income for the year	400,352	235,852

The notes numbered 1 to 27 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 48.

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

				Reserves							
	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 2015	1,944,515	(49,087)	1,756,106	330,396	(5,284)	403,573	137	728,822	4,380,356	28,112	4,408,468
Profit for the year	–	–	587,841	–	–	–	–	–	587,841	(9,672)	578,169
Other comprehensive loss	–	–	–	–	11,080	(354,258)	861	(342,317)	(342,317)	–	(342,317)
Total comprehensive income	–	–	587,841	–	11,080	(354,258)	861	(342,317)	245,524	(9,672)	235,852
Cash dividend (note 16)	–	–	(568,136)	–	–	–	–	–	(568,136)	–	(568,136)
Shares bought back (note 16)	–	(184,081)	–	–	–	–	–	–	(184,081)	–	(184,081)
Transfer to statutory reserve	–	–	(58,784)	58,784	–	–	–	58,784	–	–	–
Movements in non-controlling interest due to acquisitions	–	–	(3,069)	–	–	–	–	–	(3,069)	51,412	48,343
Movements in non-controlling interest due to disposals	–	–	–	–	–	–	–	–	–	(13,132)	(13,132)
At 31 December 2015	1,944,515	(233,168)	1,713,958	389,180	5,796	49,315	998	445,289	3,870,594	56,720	3,927,314
Profit for the year	–	–	407,169	–	–	–	–	–	407,169	(4,408)	402,761
Other comprehensive loss	–	–	–	–	5,615	(7,268)	(756)	(2,409)	(2,409)	–	(2,409)
Total comprehensive income	–	–	407,169	–	5,615	(7,268)	(756)	(2,409)	404,760	(4,408)	400,352
Cash dividend (note 16)	–	–	(370,341)	–	–	–	–	–	(370,341)	–	(370,341)
Shares bought back (note 16)	–	(34,016)	–	–	–	–	–	–	(34,016)	–	(34,016)
Transfer to statutory reserve	–	–	(40,717)	40,717	–	–	–	40,717	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	266,834	266,834
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,578)	(4,578)
At 31 December 2016	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

The notes numbered 1 to 27 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 48.

Consolidated Statement of Cash Flows
For the year ended 31 December

	Note	2016 AED '000	2015 AED '000
Cash flows from operating activities			
Profit for the year		402,761	578,169
Adjustments for:			
Depreciation	7	14,538	8,792
Finance cost	23	150,868	84,757
Charge for employees' end of service benefits		8,616	6,333
Gain on valuation of financial assets at fair value through profit or loss		(268,417)	(97,152)
Hedge reserve reclassification adjustments in profit or loss	20	(25,733)	–
Interest on time deposits	23	(4,364)	(11,600)
Income from equity-accounted associates and joint ventures, net	12	(489,111)	(610,316)
Loss on disposal of equity-accounted associates and joint ventures	12	16,401	–
Gain on disposal of subsidiaries		–	(4,291)
Interest income from loan investments at amortised cost	21	(10,948)	(10,795)
Interest income from investments in finance leases	21	(1,371)	(1,931)
Decrease in fair value of investment property	21	40,548	781
Dividend from equity-accounted associates and joint ventures		35,850	32,407
Amortisation of intangible assets	9	12,412	10,986
Provision for slow moving and obsolete inventories	21	(52)	(95)
Provision for doubtful debts	21	3,162	11,258
Changes in working capital:			
Change in inventories		(1,906)	(2,113)
Change in trade and other receivables		(32,135)	(97,018)
Change in trade and other liabilities		(381)	26,214
Net cash used in operations		(149,262)	(75,614)
Employees' end of service benefits paid		(1,063)	(7,914)
Net cash used in operating activities		(150,325)	(83,528)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash received)		–	(69,689)
Investment in an equity-accounted associate	12	(526,277)	(17,980)
Purchase of intangibles, net		(869)	(33,388)
Purchase of investments at fair value through profit or loss, net		(244,788)	(564,200)
Purchase of derivatives designated and effective as hedging instruments carried at fair value		(139,742)	–
Payments made for development of investment property	8	(25,107)	(4,784)
Purchase of furniture and equipment, net		(44,842)	(27,167)
Proceeds from disposal of subsidiaries		–	23,124
Proceeds from disposal of equity accounted associates and joint ventures		643,797	–
Capital receipt from financial assets at FVTOCI		76,983	1,187
Proceeds from finance leases		7,757	7,757
Interest received		4,364	13,334
Net cash used in investing activities		(248,724)	(671,806)
Cash flows from financing activities			
Finance cost paid on borrowings		(229,318)	(30,225)
Loans repaid	17	(1,381,432)	(342,289)
Loans obtained	17	1,602,504	558,014
Shares bought back	16	(34,016)	(184,081)
Dividends paid	16	(370,341)	(568,136)
Payments made by non-controlling interest holders		266,834	13,298
Dividends paid to non-controlling interests		(4,578)	–
Net cash used in financing activities		(150,347)	(553,419)
Net decrease in cash and cash equivalents		(549,396)	(1,308,753)
Cash and cash equivalents at 1 January		1,151,658	2,460,411
Cash and cash equivalents at 31 December		602,262	1,151,658

The notes numbered 1 to 27 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 48.

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 ("equity accounted 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 and oil and gas.

The Company has amended its Articles of Association and corporate governance procedures to ensure that it complies with the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law"), which came into force on 1 July 2015.

2 Basis of preparation

(a) Statement of compliance

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

(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.

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 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 2016, as follows:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34
- IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

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 arrangements.

(ii) 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 9 Financial Instruments (revisions in 2014) * Another revised version of IFRS 9 was issued in July 2014 mainly to include 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 simple debt instruments.	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	1 January 2018 and 1 January 2017
Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities	1 January 2017
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 IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard	1 January 2018
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use	1 January 2018
IFRS 15 Revenue from Contracts with Customers IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.	1 January 2018
Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019

* 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).

Management anticipates that the adoption of these IFRSs in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application, with the exception of IFRS 9 (2014 version) relating to impairment, IFRS 15 and IFRS 16 which management is currently in the process of assessing the impact on the adoption of these Standards.

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.

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 IAS 39, 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 IAS 39, 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, but not control or joint control, over the financial and operating policies. 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.

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 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, which includes transaction costs, 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 its 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 to the extent that the carrying amount of that interest (including any long term investment) is reduced to nil. 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.

The requirements of IAS 39 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 cash generating unit ("CGU") by comparing its recoverable amount (higher of value in use and fair value less costs to sell) 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 IAS 39. 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.

3 Significant accounting policies continued

(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 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.

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)).

When an investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous 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 their estimated useful lives as disclosed in note 9. 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

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).

3 Significant accounting policies continued

(i) Financial instruments continued

Initial recognition continued

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.

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 IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in other (expense)/income (note 21).

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 at FVTPL

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 subsequently measured at amortised cost

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.

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.

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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3 Significant accounting policies continued

(i) Financial instruments continued

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.

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.

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'.

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.

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. 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 or loss immediately unless 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.

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.

Hedge accounting

The Group has designated its equity price collars in respect of its equity price risk, 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/(expense).

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.

Impairment
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.

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.

(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 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).

3 Significant accounting policies continued

(k) Revenue recognition continued

(ii) Dividend and interest income continued

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. Given the nature of the services, which are predominately event-driven, the fees do not accrue on a time-proportionate basis but are recognised entirely as and when they become due to the Group once the likelihood of occurrence of trigger events has been ascertained.

(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.

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 key estimates used in the fair valuation of the Group's investment properties are disclosed in note 8.

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

The investment in an equity accounted associate was tested for potential impairment by comparing its carrying amount and recoverable amount. The recoverable amount 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 76,894 thousand was recognised (2015: AED 22,029 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 recoverable amount was determined based on fair value calculation which uses cash flow projections based on a business plan covering a 5 year period, and a discount rate between 13%-16% per annum (2015: 13%-16% per annum).

The carrying amount of the Group's interest in Anglo Arabian Healthcare group is AED 196.2 million (including goodwill) compared to a recoverable amount of AED 402.5 million. The senior management believe that any reasonably possible change in the key assumptions on which the recoverable amount was based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

(iv) Allowance for doubtful receivables

The Group has estimated the recoverability of trade and other receivable, and loan investments and has considered the allowance required for doubtful receivables. The Group has provided for the allowance for doubtful receivables on the basis of prior experience and the current economic environment.

(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 27(a).

(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")

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 15.23% equity ownership. Accordingly, the Group's investment in Aercap is classified as an equity-accounted associate.

(iii) Classification of financial investments

As described in Note 3 (i), investments are classified as either financial investments at fair value through profit or loss or fair value through other comprehensive income. In judging whether investments are either financial investments at fair value through profit or loss or fair value through other comprehensive income, the Group has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments.

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	
			2016	2015
Principal Investments				
Tamarind Lease Limited	Cayman Islands	Finance leasing	100%	100%
Waha AC Cooperatief U.A.[1]	Netherlands	Investment in AerCap NV	100%	100%
Al Waha Land LLC	UAE	Industrial Real Estate	100%	100%
Al Waha Maritime LLC[2]	UAE	Maritime leasing	100%	100%
Asset Management				
Anglo Arabian Healthcare				
Investments LLC	UAE	Healthcare	90.1%	90.1%
Waha Capital Investments LLC	UAE	Financial investments	100%	100%
Waha Investment Management Company SPC[3]	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.

[2] Ultimate holding Company carrying an investment in Stanford Marine Group Inc. (SMG), through intermediate holding entities OL SPV Limited, Abraaj Aqua SPV Limited and Aqua Consortium Limited (note 12).

[3] Waha Investment Management Company SPC owns 100% of Waha MENA Value Fund SP (2015: 100%), 67.8% of Waha MENA Equity Fund SP (2015: 99.3%), and 89.5% of Waha CEEMEA Fixed Income Fund SP (2015: 100%).

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.

	2016 AED '000	2015 AED '000
Balance sheet		
Total assets – current	2,706,205	2,078,281
Total liabilities – current	(1,248,478)	(1,216,917)
Non-controlling interests	(273,257)	(3,104)
Equity attributable to Owners of the Company	1,184,470	858,260

	Year ended 31 December 2016	Year ended 31 December 2015
Profit or loss		
Income from financial investments	261,290	91,230
Expenses	(50,645)	(21,373)
Profit for the year	210,645	69,857
Profit attributable to Owners of the Company	183,240	69,857
Profit attributable to the non-controlling interests	27,405	–
Profit for the year	210,645	69,857
Cash flows		
Net cash inflow/(outflow) from operating activities	106,378	(216,067)
Net cash outflow from investing activities	(320,567)	(620,117)
Net cash inflow from financing activities	411,318	785,140
Net cash inflow/(outflow)	197,129	(51,044)

5.2b Anglo Arabian Healthcare Investments LLC

Anglo Arabian Healthcare Investments LLC is a holding company for the Group's 93% ownership interest in Proficiency Healthcare Diagnostics Laboratories LLC (2015: 93%), 70% in Sharjah Corniche Hospital LLC ("SCG") and Health Bay Polyclinic (2015: 70%), 60% in Ibn Sina Medical Centre LLC and Oras Medical Center LLC (2015: 60%), and 100% in AAH Services FZ LLC (2015: 100%).

Summarised financial information in respect of Anglo Arabian Healthcare Investments LLC is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016 AED '000	2015 AED '000
Balance sheet		
Non-current assets	222,375	205,693
Current assets	134,327	131,410
Current liabilities	(138,528)	(99,631)
Non-controlling interests	(41,311)	(53,616)
Equity attributable to Owners of the Company	176,863	183,856

	Year ended 31 December 2016	Year ended 31 December 2015
Profit or loss		
Revenue	295,115	247,974
Expenses	(413,250)	(277,543)
Loss for the year	(118,135)	(29,569)
Loss attributable to Owners of the Company	(86,322)	(20,106)
Loss attributable to the non-controlling interests	(31,813)	(9,463)
Loss for the year	(118,135)	(29,569)
Cash flows		
Net cash outflow from operating activities	(103,993)	(52,343)
Net cash outflow from investing activities	(16,681)	(118,863)
Net cash inflow from financing activities	112,368	180,085
Net cash (outflow)/inflow	(8,306)	8,879

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 segment holds the Group's industrial real estate division and NPS Holdings Limited in addition to the Group's proprietary investments. The Asset Management – Private Equity segment holds the Group's healthcare investment, Anglo Arabian Healthcare. Comparative periods were restated accordingly.

Based on the information reported to the Group's Board of Directors for the allocation of resources, marketing strategies, management reporting lines and measurement of performance of business, the reportable segments under IFRS 8 were identified according to the structure of investment activities and services to customer groups.

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

Asset Management – Private Equity
The Private Equity segment represents a platform to provide investors access to attractive growth opportunities in the MENA region and currently holds investments in the healthcare industry.

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

6 Operating segments continued

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

	Principal investments AED '000	Asset Management Private equity AED '000	 Capital markets AED '000	Corporate AED '000	Consolidated AED '000
2016					
Revenue from sale of goods and services	31,997	295,115	–	–	327,112
Cost of sales	(2,491)	(164,401)	–	–	(166,892)
Income from investment in equity-accounted investees, net	489,111	–	–	–	489,111
Loss on disposal of equity-accounted associates and joint ventures	(16,401)	–	–	–	(16,401)
Income from financial investments	37,331	–	342,717	–	380,048
Other (expense)/income	(27,676)	6,748	3,082	200	(17,646)
General and administrative expenses – parent	(9,832)	(12,448)	(40,809)	(117,930)	(181,019)
General and administrative expenses – subsidiaries	(10,090)	(254,958)	–	–	(265,048)
Finance cost, net	(963)	(640)	(34,107)	(110,794)	(146,504)
Profit/(loss) for the year	490,986	(130,584)	270,883	(228,524)	402,761
Other comprehensive loss	(2,409)	–	–	–	(2,409)
2015 (restated)					
Revenue from sale of goods and services	29,311	247,974	–	–	277,285
Cost of sales	(2,474)	(84,603)	–	–	(87,077)
Income from investment in equity-accounted investees, net	610,316	–	–	–	610,316
Income from financial investments	11,579	–	190,828	–	202,407
Other (expense)/income	(1,944)	3,341	5,139	(218)	6,318
General and administrative expenses – parent	(17,077)	–	(18,608)	(113,733)	(149,418)
General and administrative expenses – subsidiaries	(12,443)	(196,062)	–	–	(208,505)
Finance cost, net	(1,162)	(218)	(23,217)	(48,560)	(73,157)
Profit/(loss) for the year	616,106	(29,568)	154,142	(162,511)	578,169
Other comprehensive (loss)/income	(343,693)	1,376	–	–	(342,317)

Segment income reported above represents income generated from external customers. There was no inter-segment income during the year (2015: 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 84,405 thousand (2015: AED 64,859 thousand) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

During the year, the Group recognised an impairment loss of AED 76,894 thousand (2015: AED 22,029 thousand) on investments in equity accounted investees, and a fair value loss of AED 40,548 thousand (2015: AED 781 thousand) on investment properties in the Principal Investments segment.

	Principal investments AED '000	Asset Management Private equity AED '000	Capital markets AED '000	Corporate AED '000	Consolidated AED '000
2016					
Investment in equity-accounted associates and joint ventures	5,033,561	–	–	–	5,033,561
Other assets	1,333,261	365,264	3,049,618	232,277	4,980,420
Segment assets	6,366,822	365,264	3,049,618	232,277	10,013,981
Segment liabilities	55,134	139,975	1,552,971	4,080,336	5,828,416
Capital expenditures	25,663	42,065	40	2,188	69,956
Depreciation and amortisation	390	18,602	1,000	1,729	21,721
2015 (restated)					
Investment in equity-accounted associates and joint ventures	4,714,977	–	–	–	4,714,977
Other assets	1,192,685	352,847	2,452,318	893,109	4,890,959
Segment assets	5,907,662	352,847	2,452,318	893,109	9,605,936
Segment liabilities	43,511	98,928	1,542,513	3,993,670	5,678,622
Capital expenditures	4,413	23,585	3,803	6,216	38,017
Depreciation and amortisation	190	15,948	210	3,430	19,778

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 232,277 thousand (2015: AED 893,109 thousand)
- All liabilities are allocated to operating segments other than corporate liabilities of AED 4,080,336 thousand (2015: AED 3,993,670 thousand)

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 before tax earned by each segment without allocation of central administration cost amounting to AED 228,524 thousand (2015: AED 162,511 thousand). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The comparative amounts of and for the year ended 31 December 2015 have been restated to correspond to the restructured segments. Accordingly, amounts reported under the previous "Industrial Real Estate" segment has been reallocated to the "Principal Investments" segment, and investment in NPS Holdings Limited have been reallocated from the "Asset Management - Private Equity" to the "Principal Investments" segment.

7 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 2015	17,050	13,730	18,362	1,838	–	50,980
Additions	3,014	6,676	16,489	373	604	27,156
Acquisitions through business combinations	1,000	2,842	8,427	482	1,100	13,851
Disposals	–	–	(152)	(122)	–	(274)
At 31 December 2015	21,064	23,248	43,126	2,571	1,704	91,713
Additions	3,664	7,534	19,516	453	13,682	44,849
Transfers	–	358	–	–	(358)	–
Disposals	–	(7)	–	(139)	–	(146)
At 31 December 2016	24,728	31,133	62,642	2,885	15,028	136,416
Accumulated depreciation and impairment						
At 1 January 2015	13,945	9,231	12,999	1,172	–	37,347
Charge for the year	2,633	2,826	2,835	498	–	8,792
Acquisitions through business combinations	973	1,942	2,584	288	–	5,787
Disposals	–	–	(110)	(115)	–	(225)
Balance at 31 December 2015	17,551	13,999	18,308	1,843	–	51,701
Charge for the year [1]	1,248	4,453	8,138	699	–	14,538
Disposals	–	–	–	(139)	–	(139)
Balance at 31 December 2016	18,799	18,452	26,446	2,403	–	66,100
Net carrying amount						
At 31 December 2016	5,929	12,681	36,196	482	15,028	70,316
As at 31 December 2015	3,513	9,249	24,818	728	1,704	40,012

[1] Depreciation expense of AED 5,229 thousand is included in "Cost of sales" (2015: nil) and AED 9,309 thousand is included in "General and Administrative expenses" (2015: AED 8,792 thousand).

8 Investment property

	2016 AED '000	2015 AED '000
At 1 January	696,010	692,007
Additions	25,107	4,784
Fair value loss	(40,548)	(781)
At 31 December	680,569	696,010

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)). At 31 December 2016, the fair value of the unrecognised portion of the land granted is estimated at AED 208,255 thousand (2015: AED 261,143 thousand).

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 192 thousand (2015: AED nil).

The fair value has been determined based on level 3 valuation methodologies accepted by the Royal Institute of Chartered Surveyors. The valuation, as of 31 December 2016, 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 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 planned small industrial units, which requires the use of estimates such as leasing rates, 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.
- 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 40,548 thousand was recognised in the current year (2015: decrease of AED 781 thousand). The fair value loss is presented within "other income/(expense), net" line on the consolidated statement of profit or loss.

For existing small industrial units, an increase/decrease of 10% in rental income would have increased/decreased the valuation by AED 22,236 thousand. Further, a capitalisation rate of 10% was assumed, an increase/decrease of 1% of which would have (decreased)/increased the valuation by AED (32,841) thousand/AED 27,197 thousand, respectively.

For planned small industrial units, an increase/decrease of 10% in annual lease rates would have increased/decreased the valuation by AED 22,755 thousand. An increase/decrease of 10% in construction costs would have increased/decreased the valuation by AED 15,759 thousand.

For serviced land, an increase/decrease of 10% in sale price would have increased/decreased the valuation by AED 27,811 thousand. Further, a discount rate of 20% was assumed, an increase/decrease of 2% of which would have (decreased)/increased the valuation by AED (13,588) thousand/AED 14,656 thousand, respectively.

9 Goodwill and intangible assets

	Goodwill[1] AED '000	Trademarks AED '000	Licences AED '000	Contract AED '000	Exclusive rights[2] AED '000	Software AED '000	Total AED '000
Useful economic lives (years)	–	5 – 10	5	5	25	3 – 5	
Cost							
At 1 January 2015	54,586	3,456	5,723	15,371	–	5,420	84,556
Adjustment	643	–	2,453	10,218	–	–	13,314
Additions	–	–	–	–	28,433	4,955	33,388
Acquisitions through business combinations	35,699	24,888	2,699	–	–	–	63,286
At 31 December 2015	90,928	28,344	10,875	25,589	28,433	10,375	194,544
Adjustment	807	–	(2,699)	–	–	190	(1,702)
Additions	–	–	–	–	–	2,361	2,361
At 31 December 2016	91,735	28,344	8,176	25,589	28,433	12,926	195,203
Accumulated amortisation and impairment							
At 1 January 2015	–	742	1,145	359	–	4,973	7,219
Adjustment	–	396	1,580	67	–	–	2,043
Amortisation expense	–	2,874	1,845	5,118	857	292	10,986
Balance at 31 December 2015	–	4,012	4,570	5,544	857	5,265	20,248
Adjustment	–	–	(210)	–	–	–	(210)
Amortisation expense	–	3,167	1,635	5,118	1,202	1,290	12,412
At 31 December 2016	–	7,179	5,995	10,662	2,059	6,555	32,450
Net carrying amount							
At 31 December 2016	91,735	21,165	2,181	14,927	26,374	6,371	162,753
At 31 December 2015	90,928	24,332	6,305	20,045	27,576	5,110	174,296

[1] Goodwill is allocated to distinct cash generating units within the healthcare businesses, namely Proficiency Healthcare Diagnostics Laboratories LLC, Sharjah Corniche Hospital LLC, Ibn Sina Medical Centre LLC, Health Bay Polyclinic and Oras Medical Center LLC.

[2] On 24 March 2015, the Group acquired exclusive rights from Oasis Hospital, Al Ain, to manage and operate its Oasis Laboratory for a period of 25 years for a total consideration of AED 28,433 thousand. The laboratory is engaged in providing point of care testing and laboratory service.

10 Investments in finance leases

The Group has placed assets on finance leases for periods up to 2 years (2015: 3 years), with effective interest rate of 9.21% (2015: 9.21%). This rate is assessed on the risk associated with the asset and the credit rating of the customer.

The payment profile of the finance leases is as follows:

	Minimum lease payment		Present value of minimum lease payments	
	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
Within one year	7,757	7,757	6,999	6,385
Between one year and five years	4,525	12,283	4,389	11,389
	12,282	20,040	11,388	17,774
Less: unearned finance income	(894)	(2,266)	–	–
Present value of minimum lease payment receivable	11,388	17,774	11,388	17,774

The finance leases receivables at the end of the reporting period are neither past due nor impaired.

11 Loan investments

	2016 AED '000	2015 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 secured by the investees' investments and properties (note 24).

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

12 Investments in equity-accounted associates and joint ventures

Carrying amount	2016 AED '000	2015 AED '000
Associates	4,832,530	4,496,306
Joint ventures	201,031	218,671
Total	5,033,561	4,714,977

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	2016	2015
AerCap Holdings NV ("Aercap")	Aircraft leasing	Netherlands	15.23%	13.46%
NPS Holdings Limited [1]	Oil and gas services	United Arab Emirates	20.72%	20.15%

[1] Held indirectly through Castle SPC Limited.

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 (adjusted by the Group for equity accounting purposes).

	AerCap		NPS Holdings Limited	
	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
Statement of financial position				
Current assets	29,223,946	31,468,747	578,020	573,341
Non-current assets	123,837,885	130,048,706	1,549,600	1,589,080
Current liabilities	19,553,142	20,897,760	245,981	201,113
Non-current liabilities	102,155,773	109,912,209	534,207	591,750
Statement of profit or loss				
Revenue	18,949,538	19,447,627	824,295	749,264
Profit/(loss) for the year	3,849,505	4,335,369	(22,388)	13,307
Other comprehensive income for the year	16,691	2,163	–	–
Total comprehensive income/(loss) for the year	3,866,196	4,337,532	(22,388)	13,307
Group's share of contingencies	202,442	198,612	23,378	22,008
Group's share of commitments	12,645,503	10,476,836	17,228	35,600

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		NPS Holdings Limited	
	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
Net assets of the associate	31,352,916	30,707,484	1,347,432	1,369,558
Proportion of the Group's ownership interest	15.23%	13.46%	20.72%	20.15%
Group's share of net assets of the associate	4,775,049	4,134,055	279,188	275,966
Goodwill	–	–	–	–
Other adjustments[1]	(226,895)	(60,375)	(7,421)	4,199
Carrying amount of associate	4,548,154	4,073,680	271,767	280,165

[1] Includes fair value adjustments related to acquisitions.

During the year, the Group recognised net share of loss of AED 53,024 thousand from associates that are not individually material (2015: income of AED 551 thousand), the total carrying value of such investments amounting to AED 12,608 thousand (2015: AED 142,526 thousand).

During 2015, Aercap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 12.64% to 13.46%.

During 2016, the Group concluded its open market program by acquiring an additional stake for an amount of AED 519,137 thousand. In addition, Aercap carried out a further share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 13.46% to 16.97%. Subsequently, the Group disposed of the additional stake bought during the year, for an amount of AED 643,797 thousand that resulted in a loss of AED 16,401 thousand, reducing the Group's ownership from 16.97% to 15.23%.

During the year, the Group made an additional acquisition of NPS Holdings Limited shares for cash consideration of AED 7,141 thousand. This increased the Group's beneficial ownership from 20.15% to 20.72%.

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.

			Group's shareholding	
Joint venture	Principal activity	Country of incorporation	2016	2015
Dunia Finance[1]	Banking	UAE	25.00%	25.00%

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

12 Investments in equity-accounted associates and joint ventures continued

12.2 Details of material joint ventures continued

Summarised financial information in respect of Dunia Finance 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	
	2016 AED '000	2015 AED '000
Statement of financial position		
Current assets		
- cash and cash equivalents	209,068	132,270
- others	23,437	20,124
Non-current assets	1,989,039	2,035,806
Current liabilities		
- trade and other payables	106,446	155,746
- others	1,175	6,152
Non-current liabilities	1,396,183	1,242,636
Statement of profit or loss		
Interest income	624,276	594,223
Interest expense	62,798	46,649
Depreciation and amortisation	5,716	4,603
Profit for the year	73,074	250,886
Statement of cash flows		
Dividends received during the year	34,750	29,450
Group's share of contingencies	614,683	474,579
Group's share of commitments	3,716	2,307

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	
	2016 AED '000	2015 AED '000
Net assets of the joint venture	717,740	783,666
Proportion of the Group's ownership interest	25%	25%
Group's share of net assets of the joint venture	179,435	195,917
Goodwill	6,405	6,405
Other adjustments	23	(1,260)
Carrying amount of joint venture	185,863	201,062

During the year, the Group recognised net share of income of AED 480 thousand from joint ventures that are not individually material (2015: loss of AED 1,992 thousand), the total carrying value of such investments amounting to AED 15,168 thousand (2015: AED 17,609 thousand).

12.3 Movement of investment in equity-accounted associates and joint ventures

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

	2016 AED '000	2015 AED '000
As at 1 January	4,714,977	4,118,227
Acquisitions	526,277	17,980
Disposals	(660,234)	–
Share of income, net[1]	489,111	610,316
Share of equity reserves	(720)	861
Distributions received	(35,850)	(32,407)
At 31 December	5,033,561	4,714,977

[1] Includes an impairment loss of AED 76,894 thousand (2015: AED 22,029 thousand) (note 4(a)).

The Group's investments with a carrying amount of AED 4,759,448 thousand (2015: AED 4,353,779 thousand) are collateralised against the Group's borrowings (note 17).

Investment in equity-accounted associates and joint ventures domiciled outside UAE amount to AED 4,819,921 thousand (31 December 2015: AED 4,353,779 thousand).

The fair value of publicly listed equity-accounted associates and joint ventures based on quoted market price is AED 4,108,154 thousand (2015: AED 4,282,508 thousand), carried at AED 4,548,154 thousand (2015: AED 4,073,613 thousand).

13 Financial investments

	2016 AED '000	2015 AED '000
Financial assets at FVTOCI		
Unquoted fund [1]	70,912	142,280
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar [2]	433,462	275,255
Financial assets at fair value through profit or loss		
Derivative assets [5]	54,531	77,972
Reverse repurchase contracts [6]	60,524	28,521
Listed fixed income securities [3]	1,563,664	1,487,341
Listed equity securities [4]	632,223	204,163
Other investments	5,636	5,376
	2,820,952	2,220,908

Financial investments held outside the UAE amount to AED 2,379,857 thousand (31 December 2015: AED 1,853,511 thousand).

[1] The unquoted fund is a private equity fund that invests in infrastructure development projects across MENA. During the year, the unquoted fund disposed of two investments, Alexandria International Container Terminals Company SAE and United Power Company SAOG. The Group's share of the sale consideration amounting to AED 76,983 thousand was accounted for as a capital reduction. Additionally, the Group received a dividend of AED 4,858 thousand (note 20) (2015: AED 10,764 thousand) and recognised a fair value gain of AED 5,615 thousand (2015: AED 11,080 thousand).

[2] The Group carries equity price collars on 15.23% 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$ 53.60 – 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 OCI (Note 17). During the year the Group recognised a gain of AED 18,465 thousand (2015: loss of AED 354,258 thousand) on cash flow hedges through other comprehensive income.

On 24 August 2016, the Group replaced a portion of its equity price collar hedges on approximately 4 million shares in Aercap maturing after 2 years. Further on 22 November 2016, the Group replaced its equity price collar hedges on an additional 18.89 million shares maturing within 43 months (note 17); consequently, a net amount of AED 25,733 thousand was reclassified from other comprehensive income to profit or loss (note 20). The existing collars on approximately 4 million shares in Aercap are due to mature within 14 months from the end of the reporting period.

[3] The Group holds a portfolio of listed fixed income securities that carry variable interest rates. The fixed income securities have an average yield to maturity of 4.44% (2015: 5.20%). As at 31 December 2016, the securities have maturity dates ranging between 1 month and 30 years.

Listed fixed income securities totalling AED 1,359,945 thousand (31 December 2015: AED 1,474,730 thousand) are pledged as security against the Group's borrowings under repurchase agreements (note 17). The repurchase agreements are subject to a master netting agreement.

[4] The Group's portfolio of listed equity securities includes UAE equities amounting to AED 374,536 thousand (2015: AED 101,620 thousand) and other GCC equities amounting to AED 192,036 thousand (2015: AED 85,251 thousand). During the year, the Group purchased listed equity shares for AED 2,100,483 thousand (2015: AED 2,047,122 thousand).

[5] Derivative assets held by the Group include interest rate swaps, total return swaps, credit default swaps and currency futures, and have a notional value of AED 2,985,781 thousand (31 December 2015: AED 1,296,863 thousand).

[6] Reverse repurchase contracts are shorted simultaneously. The carrying amounts presented are net of reverse repurchase receivables of AED 469,998 thousand and corresponding liabilities of AED 409,474 thousand (2015: reverse repurchase receivables of AED 699,409 thousand and corresponding liabilities of AED 670,888 thousand). The repurchase agreements are subject to a master netting agreement.

14 Trade and other receivables

	2016 AED '000	2015 AED '000
Trade receivables	181,616	175,292
Allowance for doubtful debts	(10,291)	(8,825)
Prepayments and advances	42,102	24,759
Accrued interest	70,517	49,954
Amounts set aside for prior year dividends	37,833	39,420
Deposits under lien	35,000	35,000
Other receivables	31,821	33,077
	388,598	348,677

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

	2016 AED '000	2015 AED '000
Middle East and Asia Pacific	180,819	172,364
Other regions	797	2,928
	181,616	175,292

The ageing of trade receivables as at 31 December is:

	2016 AED '000	2015 AED '000
Not past due	110,277	84,515
Past due and not impaired		
Within 90 days	21,282	31,265
91 days – 180 days	18,566	39,730
181 days – 365 days	16,149	6,953
› 365 days	5,052	4,004
Past due and impaired		
Within 90 days	–	1,084
91 days – 180 days	–	62
181 days – 365 days	882	889
› 365 days	9,408	6,790
	181,616	175,292

Movement in allowance for doubtful debts

	2016 AED '000	2015 AED '000
Balance at the beginning of the year	8,825	9,473
Recognised through business combinations	–	2,421
Impairment losses recognised during the year	3,162	2,711
Reversal of allowance	(1,403)	(5,780)
Write-off	(293)	–
Balance at the end of the year	10,291	8,825

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 0.50% (2015: 0.50%) per annum. All deposits under lien are placed with UAE banks.

15 Cash and cash equivalents

	2016 AED '000	2015 AED '000
Short term deposits held with banks	104,646	713,526
Cash at banks	497,559	438,094
Cash in hand	57	38
	602,262	1,151,658

The interest rate on short term deposits ranges between 1.1% and 2.15% per annum (2015: 1.75% and 2.10% per annum). All short term deposits are placed with UAE banks.

16 Share capital and dividend

	2016 AED '000	2015 AED '000
Authorised and fully paid up capital:		
1,944,514,687 shares (2015: 1,944,514,687 shares) of AED 1 each	1,944,515	1,944,515

On 23 March 2016, the Company held its Annual General Meeting which, among other things, approved a 20% cash dividend amounting to AED 370,341 thousand representing AED 0.20 per share (24 March 2015: cash dividend of AED 568,136 thousand representing AED 0.30 per share).

A cash dividend of AED 0.20 per share for 2016 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 subsequently ended on 18 October 2016. As of 31 December 2016, the Company had bought 106,005,973 shares at AED 267,184 thousand (31 December 2015: 89,008,340 shares at AED 233,168 thousand) and carried the same as treasury shares.

The basic and diluted earnings per share for the year ended 31 December 2016 has been calculated using the weighted average number of shares outstanding during the year after considering the effect of treasury shares.

	2016	2015
Profit for the year attributable to Owners of the Company (AED '000)	407,169	587,841
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,846,262	1,884,261

17 Borrowings

	31 December 2016 AED '000					31 December 2015 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]	1.09% to 1.97%	–	2,982,376	674,534	3,656,910	0.6% to 1.2%	525,815	3,350,655	–	3,876,470
Secured term loans [2]	LIBOR+3%	313,641	29,377	–	343,018	LIBOR+3%	5,191	9,508	–	14,699
Repurchase liabilities [3]	1m LIBOR	1,223,180	–	–	1,223,180	1m LIBOR	1,200,944	–	–	1,200,944
Unsecured loans [4]	EIBOR – 3.93%	21,089	–	220,680	241,769	EIBOR – 3.93%	9,462	–	220,680	230,142
		1,557,910	3,011,753	895,214	5,464,877		1,741,412	3,360,163	220,680	5,322,255

[1] The Group has executed hedging and funding transactions for its 15.23% stake in AerCap, whereby an amount of AED 3,787,677 thousand was raised (gross of AED 130,767 thousand unamortised prepaid interest cost) as interest bearing financing (note 13).

[2] 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 $500 million secured revolving loan facility. The facility is initially secured by a pledge over the Group's shareholding in Al Waha Land LLC (note 5.1) and assignment of the Group's economic interests in NPS Holdings Limited (note 12). As at 31 December 2016, an amount of AED 334,698 thousand was drawn-down (2015: AED nil) and the Group had undrawn facility of AED 1,504,302 thousand (2015: AED 1,379,250 thousand).

During the year, a Group member secured AED 426 million in a Murabaha-Ijara based financing for further development of its light industrial real estate project. As of 31 December 2016, an amount of AED 24,011 thousand was drawn-down.

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

[4] 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).

The movement of borrowings is presented below:

	2016 AED '000	2015 AED '000
At 1 January	5,322,255	5,063,599
Loans drawn-down	1,602,504	558,014
Loan arrangement and prepaid interest costs, net of amortisations	(78,450)	42,931
Loans repaid	(1,381,432)	(342,289)
	5,464,877	5,322,255

18 Trade and other liabilities

	2016 AED '000	2015 AED '000
Trade payables	77,244	54,437
Interest accrued on borrowings	56,225	47,380
Derivative liabilities [1]	27,697	50,542
Dividends payable	40,546	42,133
Long term employee incentive (note 26)	9,067	3,413
Other payables and accruals	123,492	136,747
	334,271	334,652

Trade and other liabilities are stated at amortised cost except for derivative liabilities which are stated at fair value through profit or loss. 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.

[1] The derivative liabilities held by the Group represent interest rate swaps, and have a notional value of AED 2,113,324 thousand (2015: AED 2,118,277 thousand).

The derivative liabilities mainly represent interest rate swaps with the following maturity profiles:

	2016 AED '000	2015 AED '000
Due within 1 year	15,448	25,469
Due between 1 to 3 years	10,604	20,367
More than 3 years	1,645	4,706
	27,697	50,542

19 Revenue from sale of goods and services

	2016 AED '000			2015 AED '000		
	Revenue	Cost of sale	Gross profit	Revenue	Cost of sale	Gross profit
Sales of services	295,115	(164,400)	130,715	247,974	(84,603)	163,371
Rental income	31,945	(2,440)	29,505	29,216	(2,379)	26,837
Sale of inventory	52	(52)	–	95	(95)	–
	327,112	(166,892)	160,220	277,285	(87,077)	190,208

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 8).

20 Income from financial investments

	2016 AED '000	2015 AED '000
Financial assets at FVTOCI		
Unquoted fund – dividend income	4,858	10,764
Financial assets at amortised cost		
Listed fixed income securities – interest income	–	2,539
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar – Reclassification of hedge reserve on replacement	25,733	–
Financial assets at fair value through profit or loss		
Net gain from derivatives	22,389	1,022
Net gain from reverse repurchase contracts	9,255	–
Net gain from listed fixed income securities	95,567	48,700
Net gain from listed equity securities	140,945	48,904
Others [1]	81,301	90,478
	380,048	202,407

[1] Others include income from arranging, advising and administering capital financing on behalf of Waha Capital clients.

21 Other (expenses)/income, net

	2016 AED '000	2015 AED '000
Interest income from loan investments at amortised cost	10,948	10,795
Interest income from investments in finance leases	1,371	1,931
Fair value loss on investment property	(40,548)	(781)
Provision for slow moving and obsolete inventories	52	95
Provision for doubtful debts	(3,162)	(11,258)
Others	13,693	5,536
	(17,646)	6,318

22 General and administrative expenses

	2016 AED '000			2015 AED '000		
	Company	Subsidiaries	Total	Company	Subsidiaries	Total
Staff costs	110,972	118,796	229,768	106,073	104,254	210,327
Legal and other professional expenses	22,504	4,716	27,220	14,179	5,193	19,372
Depreciation	1,576	7,733	9,309	3,687	5,105	8,792
Amortisation of intangible assets	1,290	11,122	12,412	–	10,986	10,986
Marketing expenses	7,170	54,328	61,498	7,753	45,838	53,591
Rental expenses	4,036	14,950	18,986	3,797	8,982	12,779
Social contributions	10,851	–	10,851	2,112	–	2,112
Others	22,620	53,403	76,023	11,817	28,147	39,964
	181,019	265,048	446,067	149,418	208,505	357,923

23 Finance cost, net

	2016 AED '000	2015 AED '000
Interest on borrowings	70,714	41,580
Amortisation of loan arrangement costs	80,154	43,177
Interest earned on time deposits	(4,364)	(11,600)
	146,504	73,157

24 Related parties

Related parties may include major shareholders of the Group, 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 2016 (2015: AED 12,283 thousand). The loan does not bear any interest.

During the year, one of the Company's Directors has invested an amount of AED 11,034 thousand to acquire 2.43% interest into the Waha CEEMEA Fixed Income Fund SP under a co-investment plan. During 2015, the Group's key management personnel acquired 0.7% interest into the Waha MENA Equity Fund SP under a co-investment plan.

The Group has appointed an entity associated with one of the Company's Directors, on arm's length terms, as contractor for the construction of Stage 2a of the Group's Al Markaz industrial development. The construction contract amounts to AED 158.8 million, for which the Group has secured a Murabaha-Ijara based financing (note 17).

	2016 AED '000	2015 AED '000
Key management personnel compensation		
Short term benefits	7,522	9,136
End of service and other long term benefits	12,319	13,482
	19,841	22,618

Key management personnel were provided co-investment opportunities by the Group (note 26).

25 Commitments

Capital Commitments

As at 31 December 2016, the Group has capital commitments of AED 134.8 million (2015: AED nil thousand) with respect to the development of Phase 2a of Al Markaz project and AED 12,635 thousand (2015: AED 16,387 thousand) with respect to its healthcare subsidiary AAH.

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:

	2016 AED '000	2015 AED '000
Due within 1 year	2,354	3,139
Due between 2 to 5 years	–	2,355
	2,354	5,494

Payments recognised as an expense

	2016 AED '000	2015 AED '000
Minimum lease payments	3,647	3,875

The Group as lessor

Operating leases relate to the investment property owned by the Group with lease payments between 1 to 15 years (2015: 1 to 15 years).

Rental income earned by the Group on its investment property is set out in note 19.

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

	2016 AED '000	2015 AED '000
Within one year	35,703	35,675
Between 2 and 5 years	71,731	91,456
More than 5 years	31,092	48,231
	138,526	175,362

26 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

During the current year, 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 short term trading plan, whereby the employees are granted points linked to the trading fund's performance which vests progressively over three years from the effective grant date, subject to continued employment. A cash amount representing the value of vested points derived from the fund's net asset value is paid after completing the service condition.
- A long term carried interest plan, whereby the employees are granted points linked to the realized 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, Anglo Arabian Healthcare group ("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

During the current year, 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.

For the current year, an amount of AED 26,530 thousand (2015: AED 35,000 thousand) was recognised as employee costs on account of variable performance based pay outs, which includes an amount of AED 5,654 thousand (2015: AED 3,413 thousand) accrued on account of vested long term incentive pay outs under different plans (note 18). As at 31 December 2016, the cumulated grants on account of long term incentive pay outs under different plans were AED 17,614 thousand (2015: AED 9,281 thousand), of which there were no amounts in either years that were expired or cancelled. The accrual was made using appropriate valuation techniques, considering the probability of relevant variable factors as outlined above and time value of money.

Programs for co-investment

Investment professionals 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. In 2015, the Group has provided co-investment opportunities for 0.7% of Waha Investment Management Company SPC to its employees under co-investment programs (note 24).

27 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. Further quantitative disclosures are included throughout these consolidated financial statements.

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.

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 customer, derivative assets, cash and cash equivalents, loan investments and finance leases.

(i) 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 Group establishes an allowance for impairment on a case by case basis that represents its estimate of incurred losses in respect of trade and other receivables. There is no collateral held by the Group against trade receivables.

(ii) Cash and cash equivalents

Cash is placed with commercial banks and financial institutions that have a credit rating acceptable to the Group.

(iii) Loan investments

The Group limits its exposure to credit risk by investing in counterparties whose credit ratings are within the limits prescribed by the Group's financial risk management guidelines.

(iv) Derivative assets

The Group limits its exposure to credit risk on derivative assets by dealing with financial institutions and commercial banks that have credit rating acceptable to the Group.

(v) Finance leases

The Group mitigates any credit risk associated with finance lease receivables as they are secured over the leased equipment.

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.

The maturity profile of the assets and liabilities as at 31 December 2016 was as follows:

	31 December 2016					31 December 2015				
	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	–	–	–	70,316	70,316	–	–	–	40,012	40,012
Investment property	–	–	–	680,569	680,569	–	–	–	696,010	696,010
Goodwill and Intangible assets	–	–	–	162,753	162,753	–	–	–	174,296	174,296
Investments in finance leases	6,999	4,389	–	–	11,388	6,385	11,389	–	–	17,774
Loan investments	–	12,283	220,680	–	232,963	12,283	–	220,680	–	232,963
Investments in equity-accounted associates and joint ventures	–	–	–	5,033,561	5,033,561	–	–	–	4,714,977	4,714,977
Financial investments	2,316,578	399,084	105,290	–	2,820,952	1,768,089	297,058	155,761	–	2,220,908
Inventories	10,619	–	–	–	10,619	8,661	–	–	–	8,661
Trade and other receivables	332,855	–	55,743	–	388,598	290,825	–	57,852	–	348,677
Cash and cash equivalents	602,262	–	–	–	602,262	1,151,658	–	–	–	1,151,658
Total assets	3,269,313	415,756	381,713	5,947,199	10,013,981	3,237,901	308,447	434,293	5,625,295	9,605,936
Liabilities & equity										
Borrowings	1,557,910	3,011,753	895,214	–	5,464,877	1,741,412	3,360,163	220,680	–	5,322,255
End of service benefit provision	–	–	–	29,268	29,268	–	–	–	21,715	21,715
Trade and other liabilities – other	250,831	–	55,743	–	306,574	237,052	–	47,058	–	284,110
Trade and other liabilities – derivative liabilities	15,448	10,604	1,645	–	27,697	25,469	20,367	4,706	–	50,542
Total equity	–	–	–	4,185,565	4,185,565	–	–	–	3,927,314	3,927,314
Total liabilities and equity	1,824,189	3,022,357	952,602	4,214,833	10,013,981	2,003,933	3,380,530	272,444	3,949,029	9,605,936

27 Financial instruments continued

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 denominated in US$, the Group is not exposed to the currency risk as the UAE Dirham (AED) is currently pegged to the US$. The Group's exposure to currencies other than AED or US$ is summarised in the table below:

Financial assets at fair value through profit or loss

	2016 AED '000	2015 AED '000
Listed fixed income securities		
Great British Pound	97,338	105,631
Euro	100,994	70,783
Reverse repurchase contracts		
Euro	4,516	271
Listed equity securities		
Saudi Arabian Riyal	40,254	12,388
Kuwaiti Dinar	54,566	28,758
Great British Pound	24,453	4,738
Others	119,951	44,104
	442,072	266,673

The Group uses currency futures to hedge its currency risk. Had the respective exchange rates in foreign currency of the assets listed above been 2% higher or lower as at 31 December 2016, the fair value on the profit or loss, as well as the respective investment carrying amounts would have been higher or lower by AED 8,841 thousand (2015: AED 5,333 thousand). However, this exposure is hedged using currency futures (note 13).

(ii) Interest rate risk

In the normal course of business, the Group has entered into fixed interest rate swaps, where appropriate, to hedge against the variable interest rate exposure of their borrowings except where the interest rate exposure is deemed to be immaterial or acceptable in relation to the cost of entering into a hedge. The Group had a net floating rate liability position of AED 1,587,287 thousand (2015: AED 1,225,105 thousand). Had the relevant interest rates been higher/lower by 100 basis points, the profit for the year would have been lower/higher by AED 19,588 thousand (2015: AED 10,572 thousand). However, this exposure is hedged using interest rate swaps (note 13).

(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 market indices to reduce the exposure on account of share prices (refer to note 27 (a) 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.

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.

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 and retained earnings. 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.

The Group's leverage ratio reported to the Group's lenders of the Revolving Corporate facility ("RCF") as at 31 December 2016 is presented below. The Group was in compliance of the requirement of this ratio to be a maximum of 0.65 times.

	2016 AED '000
Issued share capital	1,944,515
Retained earnings and Reserves	2,193,666
Less: proposed dividends	(367,702)
Net worth (as defined under the RCF agreement)	3,770,479
Debt (defined as "Borrowings" under the RCF agreement)	333,510
Debt/Debt and Net Worth	0.08

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.

27 Financial instruments continued

Fair Values continued

(a) **Fair value hierarchy** continued

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:

	2016 AED '000	2015 AED '000	Fair value hierarchy	Valuation technique	Sensitivity Analysis
Financial assets at fair value through profit or loss					
a Listed equity securities	632,223	204,163	Level 1	Quoted bid prices in an active market	± 5% change in quoted bid prices, impacts fair value by AED 31,611 thousand
b Other investment in equity securities	5,636	5,376	Level 2	Discounted cash flow of the underlying investments	
c Listed fixed income securities	1,563,664	1,487,341	Level 1	Quoted bid prices in an active market	± 5% change in quoted bid prices, impacts fair value by AED 78,183 thousand respectively
d Reverse repurchase contracts	60,524	28,521	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 3,026 thousand respectively
e Derivative assets	54,531	77,972	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 2,727 thousand respectively
Financial assets at fair value through other comprehensive income					
a Unquoted fund	70,912	142,280	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 3,546 thousand
Derivatives designated and effective as hedging instruments carried at fair value					
a Equity price collar	433,462	275,255	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 (254,525)/ 247,701 thousand change in fair value respectively
Financial liabilities at fair value through profit or loss					
a Derivative liabilities	(27,697)	(50,542)	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 1,385 thousand respectively

	2016 AED '000				2015 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	632,223	632,223	–	–	204,163	204,163	–	–
Other investment in equity securities	5,636	–	5,636	–	5,376	–	5,376	–
Investment in fixed income securities	1,563,664	1,563,664	–	–	1,487,341	1,487,341	–	–
Derivative assets	54,531	–	54,531	–	77,972	–	77,972	–
Reverse repurchase contracts	60,524	–	60,524	–	28,521	–	28,521	–
Financial assets at FVTOCI								
Unquoted fund	70,912	–	–	70,912	142,280	–	–	142,280
Derivatives designated and effective as hedging instruments carried at fair value								
Equity price collar	433,462	–	433,462	–	275,255	–	275,255	–
Total	2,820,952	2,195,887	554,153	70,912	2,220,908	1,691,504	387,124	142,280
Financial liabilities								
Financial liabilities at FVTPL								
Derivative liabilities	(27,697)	–	(27,697)	–	(50,542)	–	(50,542)	–
Total	(27,697)	–	(27,697)	–	(50,542)	–	(50,542)	–

There have been no transfers between levels 1 and 2 during the year.

Reconciliation of Level 3 fair value movements

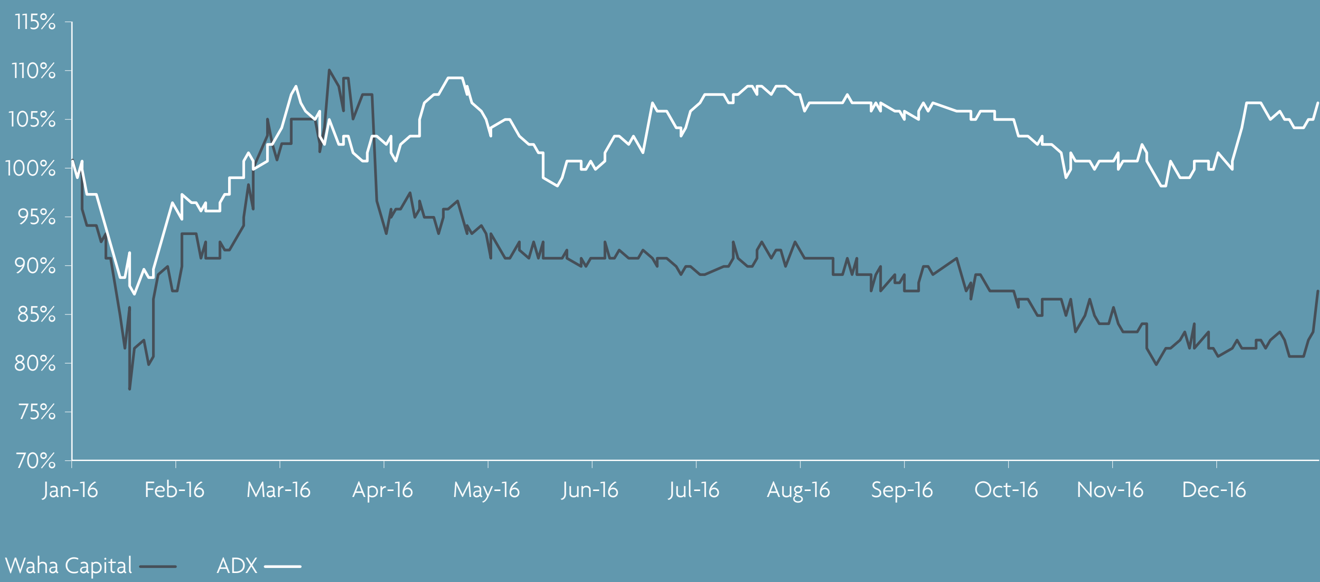
	2016 AED '000	2015 AED '000
At 1 January	142,280	132,387
Capital reduction	(76,983)	(1,187)
Total gains in other comprehensive income	5,615	11,080
	70,912	142,280

(b) Fair values of financial assets and liabilities

The fair values of financial assets and liabilities approximate their carrying amounts.

Company Information

Share Information



Board of Directors

Chairman
H.E. Hussain Al Nowais

Vice-Chairman
Mr. Abubaker Seddiq Al Khoori

Directors
Mr. Ahmed Bin Ali Al Dhaheri
Mr. Carlos Obeid
Mr. Fahad Saeed Al Raqbani
Mr. Mansour Mohamed Al Mulla
Mr. Salem Rashid Al Noaimi

CEO and Managing Director
Mr. Salem Rashid Al Noaimi

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

2016 Annual Report and Accounts: www.wahacapital.ae/investor-relations/financial-reports

Follow us:

Twitter.com/wahacapital

Linkedin.com/wahacapital