الواحة كابيتال
WAHA CAPITAL

Focus Structure Strategy

Annual Report 2017

11.4bn
Total assets (AED)

1.2bn
Total income (AED)

2.1bn
Total assets under management of Capital Markets (AED)

425.9m
Net profit attributable to owners (AED)

11.7%
Return on average equity

0.23
Earnings per share (AED)

Our Investments

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

Principal Investments

The Principal Investments division invests directly in a range of sectors, including aviation leasing, energy, fintech, financial services and industrial real estate.

Asset Management

The Asset Management division manages funds which invest in capital markets and private debt and equity. These funds are seeded with proprietary capital, and are offered to third-party investors.

Principal Investments: 40 percent of total income; 58 percent of assets

40%

Asset Management – Capital markets: 24 percent of total income; 36 percent of assets

24%

Asset Management – Private equity: 36 percent of total income; 4 percent of assets

36%

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, legal and communications.

Established in 1997

Headquartered in Abu Dhabi, UAE

Diversified investments in direct assets, capital markets, private equity and private debt

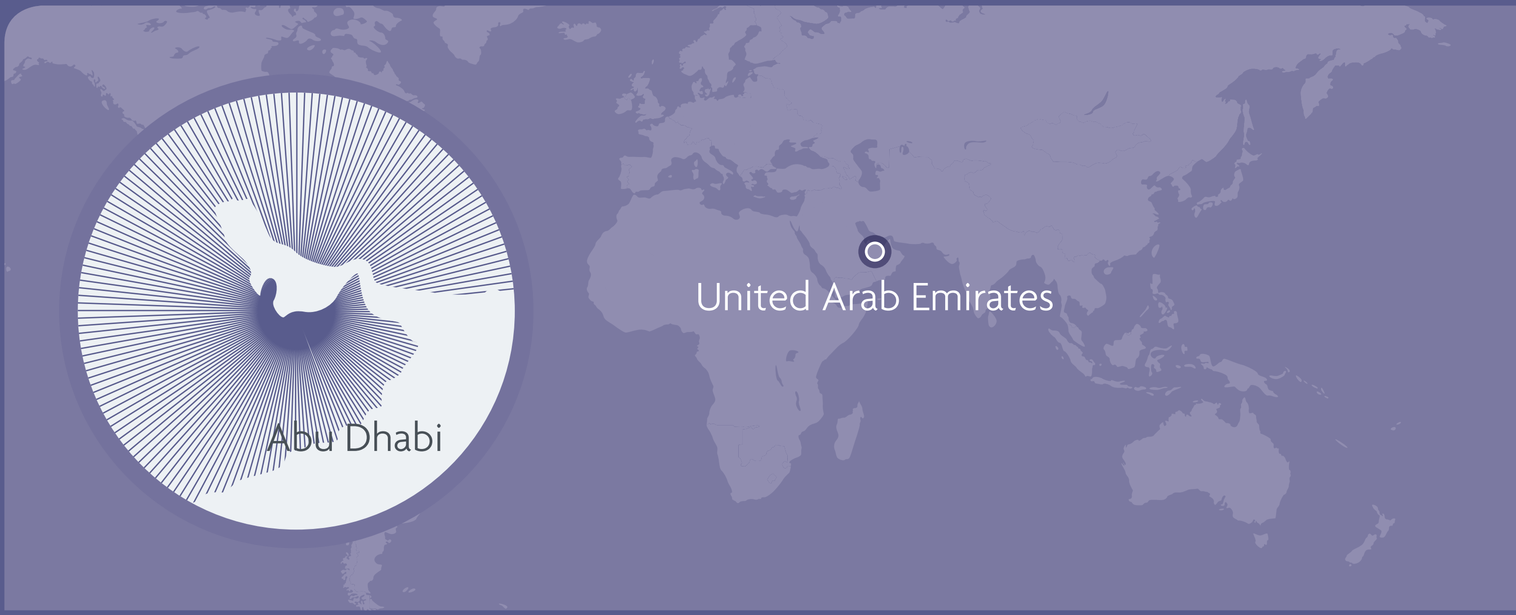
Prominent shareholders, including Mubadala Investment Company

Offering funds to third-party investors

Expert investment teams focused on value creation to generate attractive and sustainable returns

Operations in 2017

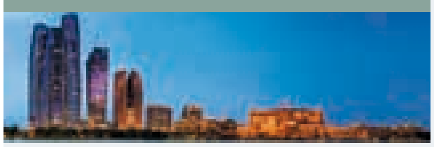
Waha Capital produced a solid financial performance in 2017, with net profit rising 4.6 percent to AED 425.9 million. The company took advantage of opportunities to divest select assets, increased the liquidity of its portfolio, and acquired a stake in a fast-growing fintech firm. The Asset Management division continued to deliver robust income streams and made progress in attracting third-party investors.



Our Business Sectors

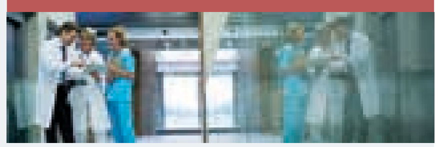
The company has actively pursued a strategy of geographical and sectoral diversification, with a blend of strategic long-term direct investments and liquid assets, including listed equities and credit.

About Waha Capital 4



Principal Investments 10

Asset Management 18



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 currently manages assets across several sectors including aviation leasing, financial services, fintech, healthcare, energy, infrastructure, industrial real estate and capital markets. Its direct investments include stakes in the world's largest aviation leasing firm, AerCap Holdings N.V., emerging market fintech service provider Channel VAS, UAE healthcare group Anglo Arabian Healthcare, the MENA Infrastructure Fund and Waha Land.

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

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

Having established an excellent performance track record, the company now offers attractive investment opportunities to third-party investors, through its capital markets funds and its private equity and private debt platforms. Established in 1997, Waha Capital has been consistently profitable – its investment teams are singularly focused on deploying capital efficiently, where they see they can add value, in order to deliver sustainable and attractive returns to shareholders and investment partners.

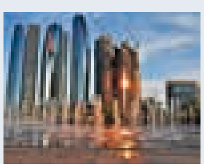
The management team has extensive experience operating in the regional market, with expertise honed at leading international blue-chip corporations and financial institutions. Waha Capital also benefits from a roster of prominent local shareholders that includes Mubadala Investment Company.

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

Our Milestones

1997

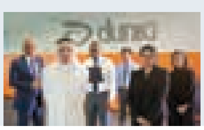
Established under the name of 'Oasis International Leasing Company PJSC'



2008

Co-founded and acquired 25 percent stake in Dunia Finance

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

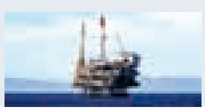


2009

Acquired a 50 percent stake in AerVenture

Launched Waha Offshore Marine Services (WOMS)

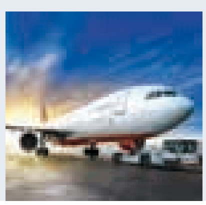
Completed USD 1.2 billion Capital Raising Mandate



2010

Acquired a 20 percent stake in AerCap

Commenced construction on ALMARKAZ development project

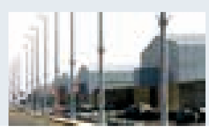


2011

Arranged a USD 505 million term and revolving credit facility

2012

Completed first phase of ALMARKAZ light industrial real estate development



How We Run Our Business

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

2013

Launch of new Waha Capital Brand

Investment in Healthcare through Anglo Arabian Healthcare (AAH)

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

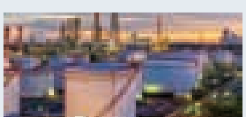
2014

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

Acquired a 20.15 percent stake in NPS Holdings Limited

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

Sold interest in AerLift

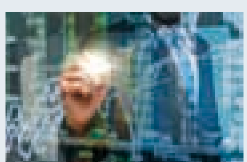


2015

Achieved full occupancy in ALMARKAZ existing industrial units

Execution of share buyback programme of 4.84 percent of share capital

Launch of Waha Capital Asset Management



2016

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

Concluded share buyback programme for total funds of AED 267.2 million

Secured new USD 500 million revolving credit facilities

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

2017

Acquisition of a 20 percent stake in Channel VAS

Sale of full equity stake in Proficiency Healthcare Diagnostics (PHD)

Agreed to sell NPS Holding Limited to a private group based in Saudi Arabia and NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR)

Increased stake in SDX Energy to 19.4 percent

During 2017, Waha Capital continued to deliver on its strategy of diversification and growth, by developing its asset management business further and making a new direct investment in the fintech sector.

Hussain Jasim Al Nowais
Chairman

Proposed dividend per share (AED)	2017 net profit (AED)
0.15	425.9m

Dear Shareholders,

The global macro-economic environment continued to raise challenges in 2017, with geopolitical tensions and specific issues, such as Brexit, impacting confidence in many key economies. Markets experienced a mixed year, with global equities stretching a bull run and bond markets awaiting clear direction on benchmark rates, while commodities remained volatile due to uncertain demand-supply fundamentals.

Against this uncertain backdrop, Waha Capital continued to deliver an attractive return on equity and manage risk carefully. The company achieved a net profit of AED 425.9 million, and the board of directors subsequently proposed an attractive dividend of AED 0.15 per share for the year.

During 2017, Waha Capital continued to deliver on its strategy of diversification and growth, by developing its asset management business further and making a new direct investment in the fintech sector.

Within our asset management division, the businesses are developing a strong offering to third-party investors. Waha Capital is now well placed to provide innovative solutions to institutional and high net worth investors looking for attractive risk-adjusted returns. Meanwhile, the Principal Investments division is managing its assets prudently to defend and create value.

The sale of UAE-based National Petroleum Services (NPS) to a private group based in Saudi Arabia and NASDAQ-listed National Energy Services Reunited (NESR) illustrates our approach, freeing capital for investment in other areas, and giving Waha Capital a liquid stake in a large and ambitious oil and gas services company.

Waha Capital also acquired a significant stake in Channel VAS, a UAE-based company that has become one of the fastest-growing fintech companies in the world.

Through transactions such as these, Waha Capital is not only serving the long-term interests of our shareholders, but also contributing to private sector development in the United Arab Emirates, and therefore to the country's economic diversification.

We continue to view Waha Capital's strategic position within the Abu Dhabi and regional corporate ecosystem as a positive force for the future growth of the company.

Our base in the UAE's capital has given us a stable economic and financial environment, while our deep regional networks are key to sourcing attractive transactions. We continue to view Waha Capital's strategic position within the Abu Dhabi and regional corporate ecosystem as a positive force for the future growth of the company.

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 the Abu Dhabi Executive Council.

I would also like to take this opportunity to commend the hard work and commitment of the employees, senior management, and board of directors of Waha Capital. I firmly believe that the company is in a strong position to capitalise on the opportunities that 2018 will present.

Hussain Jasim Al Nowais
Chairman

Across our businesses, Waha Capital is focused on building on the successes of the last five years, to be the regional leader in our sphere.

Salem Rashid Al Noaimi
Chief Executive Officer
& Managing Director

Return on average equity	Earnings per share (AED)
11.7%	0.23

It gives me pleasure to report that Waha Capital produced a solid financial performance in 2017, with net profit increasing 4.6 percent to AED 425.9 million – a return on average equity of 11.7 percent.

The company's resilience in a challenging global economic environment over the last few years is the result of our long-standing strategy of asset and income diversification.

We have built a thriving Asset Management division, which manages capital markets funds that have consistently outperformed their benchmarks over multiple years. The Asset Management business has also developed a private equity and private debt capability that contributes to our wide and differentiated offering to third-party investors.

In 2017, Anglo Arabian Healthcare, an investment managed through our private equity business, divested its 93 percent stake in Proficiency Healthcare Diagnostics (PHD) in a transaction that materialised significant value for Waha Capital.

Meanwhile, our Principal Investments team continues to work hard on optimising our current assets and identifying attractive new opportunities to deploy capital.

In November 2017, Waha Capital divested its stake in NPS Holding Limited to a private group based in Saudi Arabia and NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR) in a cash and shares transaction. This was a value-creating transaction, which liberated capital and gave Waha Capital a liquid stake in a much larger company that is well positioned to lead in the global oil and gas services industry.

Waha Capital also further diversified its Principal Investments portfolio by acquiring a 20 percent stake in fintech firm Channel VAS, which is a fast-growing data-based credit services company with access to over 500 million mobile subscribers across 25 emerging markets.

Waha Land continues to expand, with the ALMARKAZ light industrial real estate project moving ahead with the second stage of its development, which will result in a sustained increase in rental income.

Across our businesses, Waha Capital is focused on building on the successes of the last five years, to be the regional leader in our sphere.

The company has gained traction in attracting third-party capital, and will step up efforts in the asset management space in 2018 by offering new opportunities to investors.

Similarly, our Principal Investments business is pursuing opportunities, while retaining our renowned discipline in deal-making.

Indeed, the company has navigated several business cycles successfully because of our insistence on stringent risk management processes, and implementing best-practice corporate governance.

The strength of our company is founded on the pursuit of excellence, and all our divisions are working hard in the interests of all our stakeholders. I would like to thank all my colleagues for the commitment that I witness every day, and to the board of directors for their valued guidance.

Salem Rashid Al Noaimi
Chief Executive Officer
& Managing Director

Principal Investments

OVERVIEW

The Principal Investments business holds Waha Capital's proprietary investments across diversified industries, including aviation leasing, oil and gas services, financial services, fintech, real estate and infrastructure.

461.8m
Total income (AED)

40%
Contribution to total income

419.9m
Net profit (AED)

58%
Proportion of total assets

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 and public sectors of both emerging and developed markets.

Waha Capital's Principal Investments division reported total income of AED 461.8 million in 2017.

Aviation Leasing

AERCAP HOLDINGS N.V.

Stake: **17.55 percent**
Carrying Value: **AED 4.94 billion**
Investment year: **2010**

Key Facts & Figures

- 1,531 aircraft owned, on order, or managed
- Assets of over USD 42 billion
- Equity of USD 8.6 billion

Fintech

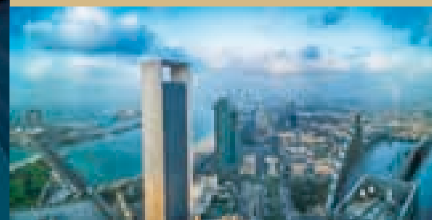
CHANNEL VAS

Stake: **20.0 percent**
Carrying Value: **AED 201.1 million**
Investment year: **2017**

Key Facts & Figures

- Provided credit to over 500 million subscribers as of 2017
- Exceeded the USD 1 billion mark in loans in 2016

Infrastructure



MENA INFRASTRUCTURE FUND

Stake: **33.3 percent in GP; 17.9 percent in LP**
Carrying Value: **AED 63.8 million**
Investment year: **2007**

Key Facts & Figures

- Manages USD 300 million infrastructure fund
- Successfully exited two assets and actively working on divesting the remaining ones

Financial Services

DUNIA GROUP

Stake: **25 percent**
Carrying Value: **AED 165.4 million**
Investment year: **2008**

Key Facts & Figures

- More than 2,000 employees
- Operates 19 branches across the UAE
- More than 293,500 customers

Industrial Real Estate

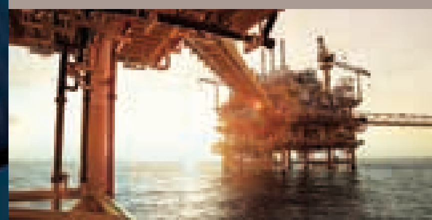
WAHA LAND – ALMARKAZ

Stake: **100 percent**
Carrying Value: **AED 758.7 million**
Investment year: **2007**

Key Facts & Figures

- Land bank of 6 km^2
- 1st stage comprises 90,000 m^2 of small industrial units mostly leased out
- 2nd stage of expansion will add 187,000 m^2 of premium industrial and logistics facilities, with supporting retail and commercial amenities

Oil & Gas



NPS HOLDINGS LIMITED

Stake: **15.94 percent**
Carrying Value: **AED 219.5 million**
Investment year: **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 2.2 billion

Principal Investments

AERCAP HOLDINGS N.V.

Earnings per share (USD)

6.68

Aircraft transactions executed in 2017

402

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

AerCap Holdings N.V., listed on the New York Stock Exchange, is the world's leading aviation leasing company. It acquires aircraft from manufacturers, airline operators, other aviation leasing companies and financial investors to lease to commercial airlines and cargo operators.

AerCap's portfolio consists of over 1,000 aircraft that are owned or managed. More than 400 additional aircraft are on order, while the company has 200 customers in over 80 countries. AerCap has assets of over USD 42 billion and has been listed on the New York Stock Exchange since 2006.

During the year ended 31 December 2017, AerCap carried out a share buyback programme, which Waha Capital did not participate in. Consequently, the Group's beneficial ownership increased from 15.23 percent to 17.55 percent.

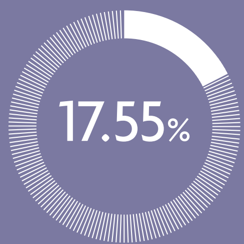
During 2017, Waha Capital recorded share of income of AED 633.6 million. However, an impairment of AED 244.7 million was also recognised following a reassessment of the investment's recoverable amount.

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

The key highlights of AerCap for the year ended 31 December 2017 were as follows:

- 402 aircraft transactions executed, as follows:
  - Signed lease agreements for 230 aircraft
  - Purchased 58 aircraft
  - Executed sale transactions for 114 aircraft
- Signed an agreement with Boeing for an order of 30 787-9 aircraft
- Exercised options with Airbus to purchase 50 A320neo family aircraft
- Signed financing transactions for USD 12.6 billion

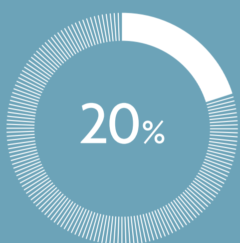
As of 31 December 2017, AerCap's portfolio consisted of 1,531 aircraft that were owned, on order or managed. The average age of owned fleet was 6.8 years and the average remaining contracted lease term was 6.9 years.



Waha Capital's ownership increased from 15.23 percent to 17.55 percent following AerCap share buyback program which Waha Capital did not participate in.

CHANNEL VAS

Channel VAS currently has access to over 500 million mobile subscribers.



In 2017, Waha Capital acquired a 20 percent stake in Dubai-based fintech firm Channel VAS for AED 200.5 million.

Revenue (AED)	Dividend paid (AED)
170.1m	52.7m

In 2017, Waha Capital acquired a 20 percent stake in Dubai-based fintech firm Channel VAS for AED 200.5 million. Incorporated in 2012, Channel VAS is a premium provider of financial services for mobile operators, offering a wide range of digital and mobile financial services, as well as content and marketing solutions. Its offerings include airtime credit services, mobile financial services, handset loans, value-added services, micro cash loans, and data loans.

The company is present in over 25 countries and has grown rapidly to provide over USD 1 billion of loans. Channel VAS currently has access to over 500 million mobile subscribers. Customers include leading emerging markets telecoms firms such as MTN, Vodacom, Lyca Mobile, Reliance, Millicom and Mobily.

During the year ended 31 December 2017, Channel VAS reported the following performance:

- Revenue of AED 170.1 million
- Paid a dividend of AED 52.7 million

MENA INFRASTRUCTURE FUND

Waha Capital's investment (AED)

167m

Distribution to Waha Capital since inception (AED)

162.2m

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

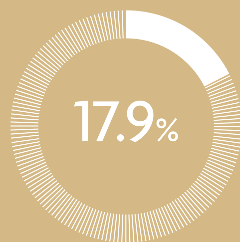
MENA Infrastructure Fund was launched in 2007 as a private equity fund that invests in infrastructure development projects across MENA, with a total capital commitment of AED 1.1 billion (USD 300 million) from its Limited Partners (LP).

Waha Capital invested AED 167 million (USD 45.5 million) for its LP (17.9 percent) and GP (33.3 percent) stakes, and has received approximately AED 162.2 million in distributions. The fund's dividend yield is approximately 6.1 percent.

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

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

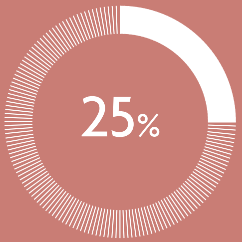
b) Sohar Power Company: Owns and operates 585MW of combined-cycle gas-fired power generation and 150,000 m^3 of water desalination capacity in Oman. The fund's ownership in the project is 20 percent.



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

DUNIA GROUP

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



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

Net interest income (AED)

514m

Net loan book (AED)

2.0bn

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

Dunia Finance is a finance company regulated by the Central Bank of the UAE and offers a range of financial solutions including personal loans, auto loans, credit cards, guarantees and deposits to its customers in the UAE. Dunia Finance has demonstrated impressive growth, stable net interest margins and healthy profits over the last few years. The company serves predominantly the salaried mass market and mass affluent segments in the UAE and has successfully grown its loan book at a 36 percent CAGR over 2009 to 2017.

During the year ended 31 December 2017, Dunia Finance reported the following performance:

- Net interest income of AED 514.0 million
- Customer base expanded to 293,500 customers, an increase of 15 percent compared to 31 December 2016
- The net customer receivables was prudently kept flat at AED 2.0 billion due to macro stress environment (31 December 2016: AED 2.0 billion)
- Cost to income ratio of 25.2 percent
- Customer deposits grew to AED 1.28 billion as at 31 December 2017, an increase of 1.6 percent compared to 31 December 2016
- Customer deposits comprise a mix of deposits pledged for the issue of guarantees, interbank sources, regular time deposits and deposits without pre-termination ability
- Impairment reserve maintained at 3.3 percent of total loans and advances, providing an improved non-performing loan cover of 1.0x; compared to an impairment reserve of 3.5 percent of total loans and advances with a non-performing loan cover of 0.9x on 31 December 2016
- Healthy liquidity position with bank facilities at AED 415 million and bank placements and cash equivalents of AED 168 million

Dunia Services FZ LLC was established in 2012 under the Dubai Technology and Media Free Zone Authority. Dunia Services' principal activity is to offer 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.

During the year ended 31 December 2017, Dunia Services recorded a revenue of AED 89 million.

WAHA LAND – ALMARKAZ

Total revenue (AED)

37.6m

Net profit before fair value adjustment (AED)

17.1m

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

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

In June 2016, Waha Land signed a AED 426 million financing with a local bank for further development of Phase 1 within ALMARKAZ, following the successful leasing of existing facilities. This expansion, called Stage 2, will add 187,000 m^2 of premium industrial and logistics facilities and will also include retail and commercial amenities to enhance the business park experience of ALMARKAZ. Stage 2 is being constructed in two packages (2a & 2b), with the initial Stage 2a consisting of 92,500 m^2 of built-up area.

The construction of Stage 2a is in its final stages. The units are expected to be available for occupancy by end of Q1 2018, and are currently being marketed.

The Stage 2 development will include flexible industrial buildings, as well as ready-to-occupy industrial units, warehouse and storage facilities, commercial office and retail units to serve the growing working population at ALMARKAZ. 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.

Waha Land's growth strategy with respect to ALMARKAZ is focused on continuing to grow and diversify its tenant base, developing new services for its existing and prospective tenants, and providing exceptional services with the ultimate aim of meeting the needs of UAE SMEs as well as manufacturing and logistics players.

During the year ended 31 December 2017, Waha Land reported:

- Rental revenue and other income of AED 37.6 million (2016: AED 39.2 million)
- Cumulative development cost of AED 176.3 million (2016: AED 20.9 million) incurred for the construction of Stage 2a
- Net profit before fair value adjustment of AED 17.1 million (2016: AED 26.5 million)

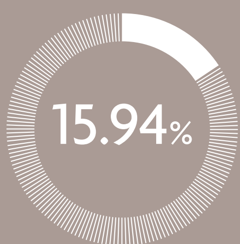
The project is located in Al Dhafra, approximately 35 km from central Abu Dhabi, and is well located to access the multi-modal industrial and logistics infrastructure (land, sea, air, and future rail) of the UAE.

100%

Waha Capital holds a 100% stake in Waha Land - ALMARKAZ

NPS HOLDINGS LIMITED

NPS is the largest regionally-owned oil, gas and petrochemical services provider in the Middle East, providing its distinctive customer solutions through 20 subsidiaries and branches.



Waha Capital's total ownership in NPS Holdings Limited is 15.94 percent

Contracts in progress (AED)

2.0bn

Revenue (AED)

994.8m

Waha Capital acquired its stake in NPS Holdings Limited in June 2014, as part of a consortium including Fajr Capital and APICORP.

NPS Holdings Limited, through its various subsidiaries and joint ventures, has presence in Saudi Arabia, Qatar, United Arab Emirates, Brunei, India, Libya, Bahrain, Iraq, Algeria and Malaysia. Its principal activities include well services (such as cementing, coiled tubing, stimulation and other), drilling and workover, well testing and wireline services.

On 12 November 2017, Waha Capital agreed to sell the entire investment to a private group based in Saudi Arabia and a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR), in two stages. The first stage of the transaction involved a disposal of 4.68 percent stake, which was concluded during the current year. The second stage exit of the remaining 15.94 percent stake is expected to be completed after receiving the necessary regulatory approvals, during 2018.

During the year ended 31 December 2017, NPS Holdings Limited reported the following:

- Secured and extended contracts worth AED 642.9 million (2016: AED 1,920.5 million), taking current contracts-in-progress to AED 2,007.7 million (2016: AED 2,458.4 million) – the remaining value as of 31 December 2017
- Invested AED 168.4 million in capital expenditure (2016: AED 228.4 million)
- Available banking facilities with regional banks for a limit of AED 734.0 million bearing competitive interest. The undrawn bearing a balance of the facility was AED 175.9 million as at 31 December 2017 (2016: AED 119.4 million)
- Reported revenue of AED 994.8 million (2016: AED 822.5 million)
- Reported a gross book value of property, plant and equipment as at 31 December 2017 of AED 1,747.3 million (2016: AED 1,592.4 million)

OVERVIEW

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 direct investments, offering third-party investors access to listed credit and equity markets and private equity opportunities.

Since 2016, the Asset Management division actively marketed three capital markets funds to third-party investors, successfully raising AED 687 million since marketing activities began: Waha CEEMEA Fixed Income Fund SP, Waha MENA Equity Fund SP and MENA Value Fund SP.

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

Total assets managed by Waha Investment PrJSC, including third party subscriptions, amounted to AED 2.1 billion as of 31 December 2017.

Waha Capital is planning to offer 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, energy 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:
Central Bank of the UAE and Securities & Commodities Authority

Domicile:
Cayman Islands

Fund regulator:
Cayman Islands Monetary Authority

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

275.3m

Total income from Capital Markets (AED)

207.0m

Net profit of Capital Markets (AED)

2.1bn

Total assets managed by Capital Markets (AED)

24%

24 percent contribution to Waha Capital's total income from Capital Markets

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 Waha 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.

Private Debt

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

Asset Management

CAPITAL MARKETS

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

The company has invested AED 920 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.

2017 was another strong year for the Waha Capital Markets division (WCM). The team continues to be the fastest-growing contributor to Waha Capital's top and bottom line. The team displayed excellent performance in 2017 to build on its already impressive track record of outperformance. Total income generated by the Capital Markets division amounted to AED 275.3 million in 2017.

Waha CEEMEA Fixed Income Fund returned 15.4 percent in 2017 versus the JPM CEEMA CEMBI benchmark of 6.7 percent.

Waha MENA Equity Fund delivered a strong performance of 15.5 percent during 2017, versus the S&P GCC Index of -0.5 percent.

Waha MENA Value Fund returned 8.8 percent during 2017, versus the S&P GCC Index of -0.5 percent.

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

Waha CEEMEA Fixed Income Fund total return for Waha Capital

15.4%

Waha MENA Equity Fund total return for Waha Capital

15.5%

Waha MENA Value Fund total return for Waha Capital

8.8%

The Capital Markets team has developed a solid track record of outperformance over more than six 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 and 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, Operations in 2017

1. Capital Markets, Waha CEEMEA Fixed Income Fund

The open-ended Waha CEEMEA Fixed Income Fund produced a total return of 15.4 percent in 2017. The fund has given a total return since inception in 2012 of 123.3 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.

2. Capital Markets, Waha MENA Equity Fund

The Waha MENA Equity Fund gave a total return of 15.5 percent in 2017, bringing the total return of the portfolio since inception in 2014 to 102.5 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.

3. Capital Markets, Waha MENA Value Fund

The Waha MENA Value Fund produced a return of 8.8 percent in 2017 and 26.5 percent since inception.

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

PRIVATE EQUITY

Total income (AED)	Net profit (AED)
424.1m	53.8m

Anglo Arabian Healthcare employs more than 1,000 people and serves over 540,000 registered outpatients.

Waha Capital's private equity unit manages the company's investment in UAE healthcare provider Anglo Arabian Healthcare (AAH), which owns and operates clinics, pharmacies and hospitals. The company employs more than 1,000 people and serves over 540,000 registered outpatients.

During 2017, the company divested its full equity stake in Proficiency Healthcare Diagnostics Laboratories (PHD) to Al Borg Medical Laboratories, the GCC's largest chain of private laboratories. Waha Capital recorded an accounting gain of approximately AED 124.5 million.

For Waha Capital, this transaction crystallised significant value creation in the asset since the acquisition of PHD in 2013. The diagnostics firm added new branches in Al Ain, Dubai and the Western Region, which led to revenues and earnings more than doubling over the four-year period.

During 2017, AAH achieved the following performance:

- Consolidated revenue of AED 287.5 million, a 2.6 percent decrease on AED 295.1 million compared to 2016
- Consolidated revenue comprise of AED 112.2 million (2016: AED 150.9 million) from laboratory services, AED 139.2 million (2016: AED 119.2 million) from patient fees, and AED 36.1 million (2016: AED 25.0 million) from sale of pharmaceuticals
- Shareholders' equity base attributable to owners of AED 355.3 million as at 31 December 2017, compared to AED 215.9 million as at 31 December 2016

Asset Management

PRIVATE DEBT

The business employs a cash flow-based approach to investing, providing financing and capital solutions tailored to the specific needs and requirements of companies and their business plans.

Waha Capital's private debt business has been established to provide bespoke financing and direct lending solutions to mid-market companies in the Middle East, North Africa and Turkey region, with the company committing USD 50 million of its own capital.

The business employs a cash flow-based approach to investing, providing financing and capital solutions tailored to the specific needs and requirements of companies and their 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

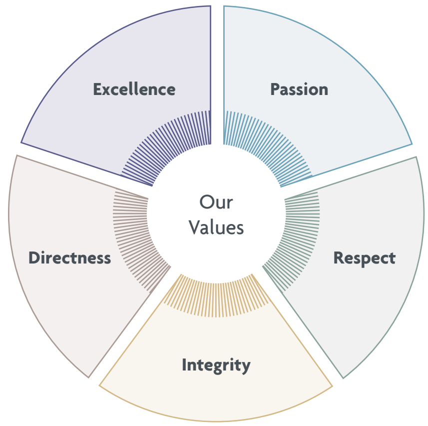
- Secured loans
- Uni-tranche and multiple tranche loans
- Mezzanine debt
- Bonds
- Preferred shares
- Convertible loans and bonds
- Convertible preferred shares
- Warrants
- Profit participations

Waha Capital's financing solutions will be provided either directly to companies seeking capital, or to private equity firms in connection with financing a buyout, as well as to the portfolio companies of such private equity sponsors. The 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 works 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 our 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.

Waha Capital believes that it is essential for companies to contribute to the socio-economic development of the communities where they are active, and in 2017 the company continued its corporate social responsibility (CSR) programmes on several fronts.

The company's CSR initiatives in the UAE are currently focused on the promotion of science and environmental education that support the country's strategy for economic diversification. This includes areas such as high-value manufacturing and other high-knowledge industries.

During 2017, the company 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 provides financial support, and its employees are assisting the programme by engaging young people in environmental and scientific issues through field research and classroom activities.

One of the most significant partnerships during the year was with the Emirates Foundation to promote education and careers in science and technology throughout the United Arab Emirates (UAE) through the organisation's 'Think Science' programme. Specifically aimed at young Emiratis between the ages of 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.

The company's commitment to providing education opportunities also extended beyond the UAE, through its collaboration with the Ataya Organisation to fund, design and build schools in war-torn countries across the world.

During the year, Waha Capital continued its support for the Dubai Cares initiative, adopting a primary school in the under-privileged rural village of Sukumbase Tole, located in western Nepal. Donations were used to construct and equip the school, and 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. That included an Orphans Iftar, which followed similar events in 2015 and 2016 and received positive feedback. A third Iftar for 30 orphans in the UAE took place at the Sofitel Corniche Hotel in Abu Dhabi.

Waha Capital is a proud sponsor of the Abu Dhabi Sports Festival, partnering with the Abu Dhabi Sports Council (ADSC), as part of a wider Corporate Social Responsibility initiative that aims to keep the community fit and healthy during the summer. The event took place at the Abu Dhabi National Exhibition Center (ADNEC) between 9th July and 31st August.

Contributing to the Community

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

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

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

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

Risk Management at Waha Capital

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

How Risk Management fits into the Waha Capital organisation

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

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

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

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

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

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

Risk Management framework at Waha Capital

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

Our risk management framework includes:

- a risk management policy which is communicated throughout the company and reviewed annually
- a standard set of key risk areas, categories and definitions
- a standardised and automated risk assessment and reporting tool, including standard risk assessment criteria, and the determination of our risk appetite
- consolidation of risk assessments for each business at the company level to identify organisation-wide impacts and trends, which applies across our 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.

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 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 Licences 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 Man 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 benefits the share price. This in turn increases the company's ability to access capital. It is therefore vital to be aware of any risks that may impact strategy
- Compliance risk – Regulatory developments affecting our business model and profitability arise from governments and regulators continuing to develop policies that may impose new requirements, including 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:

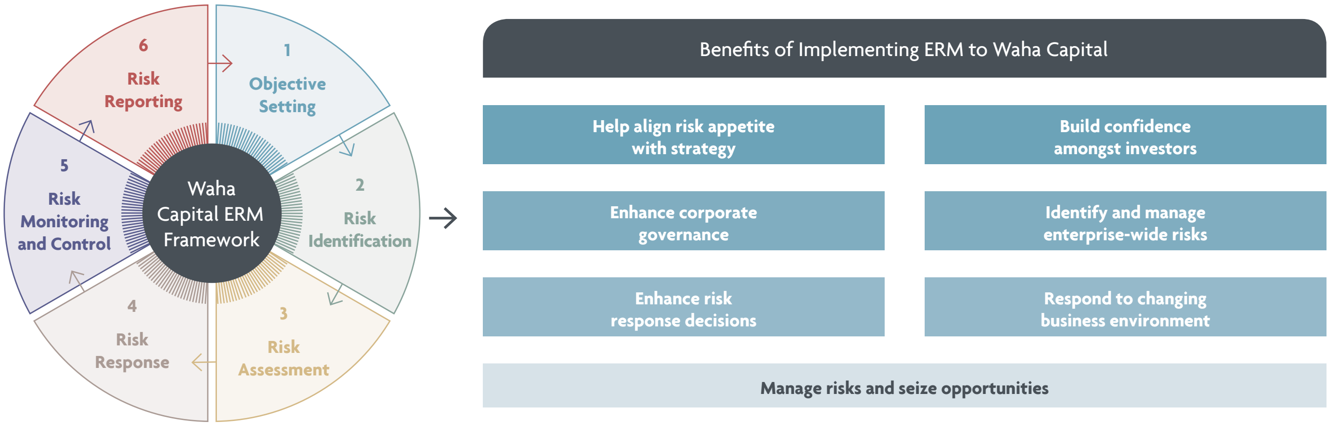
- Principal Investments and Private Equity – Risks are continuously assessed, controlled and managed through a comprehensive framework with clearly defined roles and responsibilities – starting at the Board level and permeating through senior management and other levels within the organisation.

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 the 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. This framework allows us to monitor and manage our long-term and short-term risks, report them, and ensure that we are compensated appropriately for the risk undertaken.



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

Risk Management continued

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:

Financial Risks

- **Market Risks**
  - Interest Rate Risk
  - Foreign Exchange Risk
- **Operational Risks**
  - Legal Risk
  - Fraud Risk
  - Environmental Risk
- **Credit Risks**
  - Concentration Risk
  - Macro Risk
- **Liquidity Risks**
  - Funding Liquidity Risk
  - Market Liquidity Risk
  - Refinancing Risk

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.

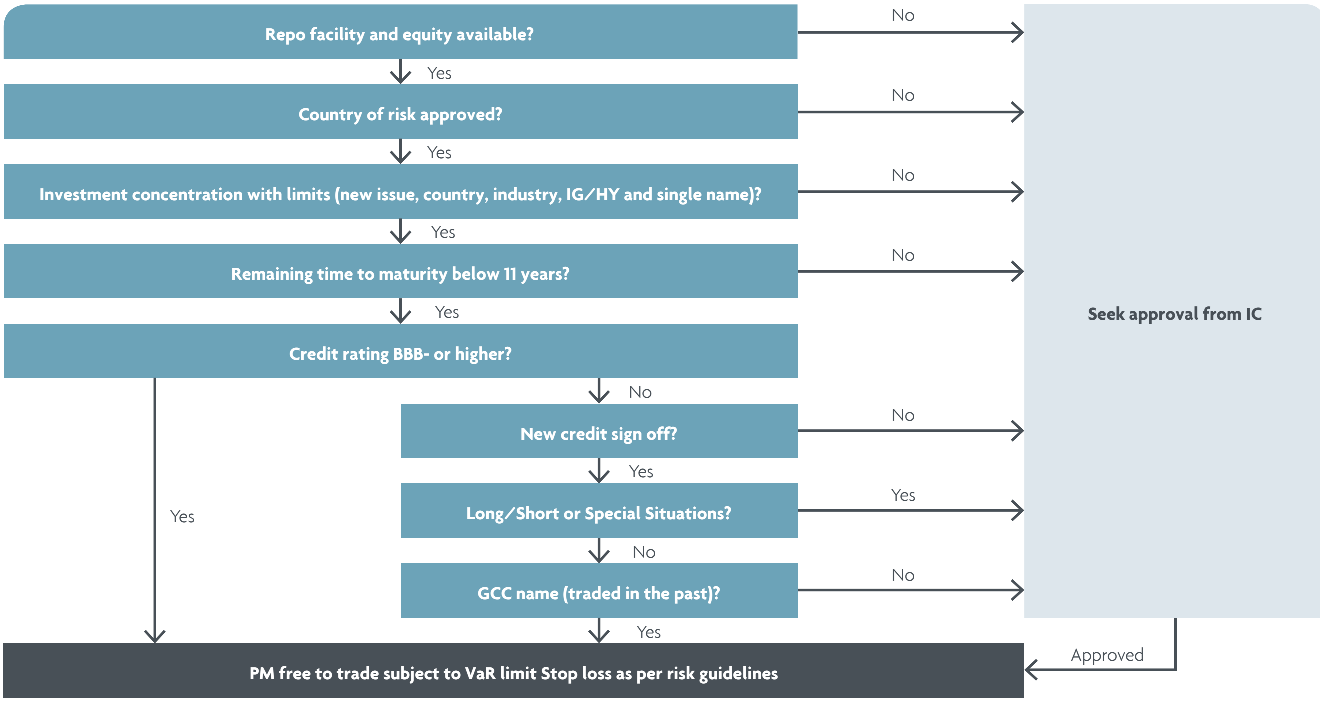
Role of the Investment Committee

- 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 polices is monitored on a daily basis by the Risk Management team
- Any breach of the Risk Management policy is reported following the action plan detailed in the related policy

The investment approval process is illustrated below:



Investment approval process

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

Risk management tools

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

- Stop loss policies – The stop loss policy relates to a pre-determined loss exposure limit. If the loss on a security position or a sub-portfolio exceeds the 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.

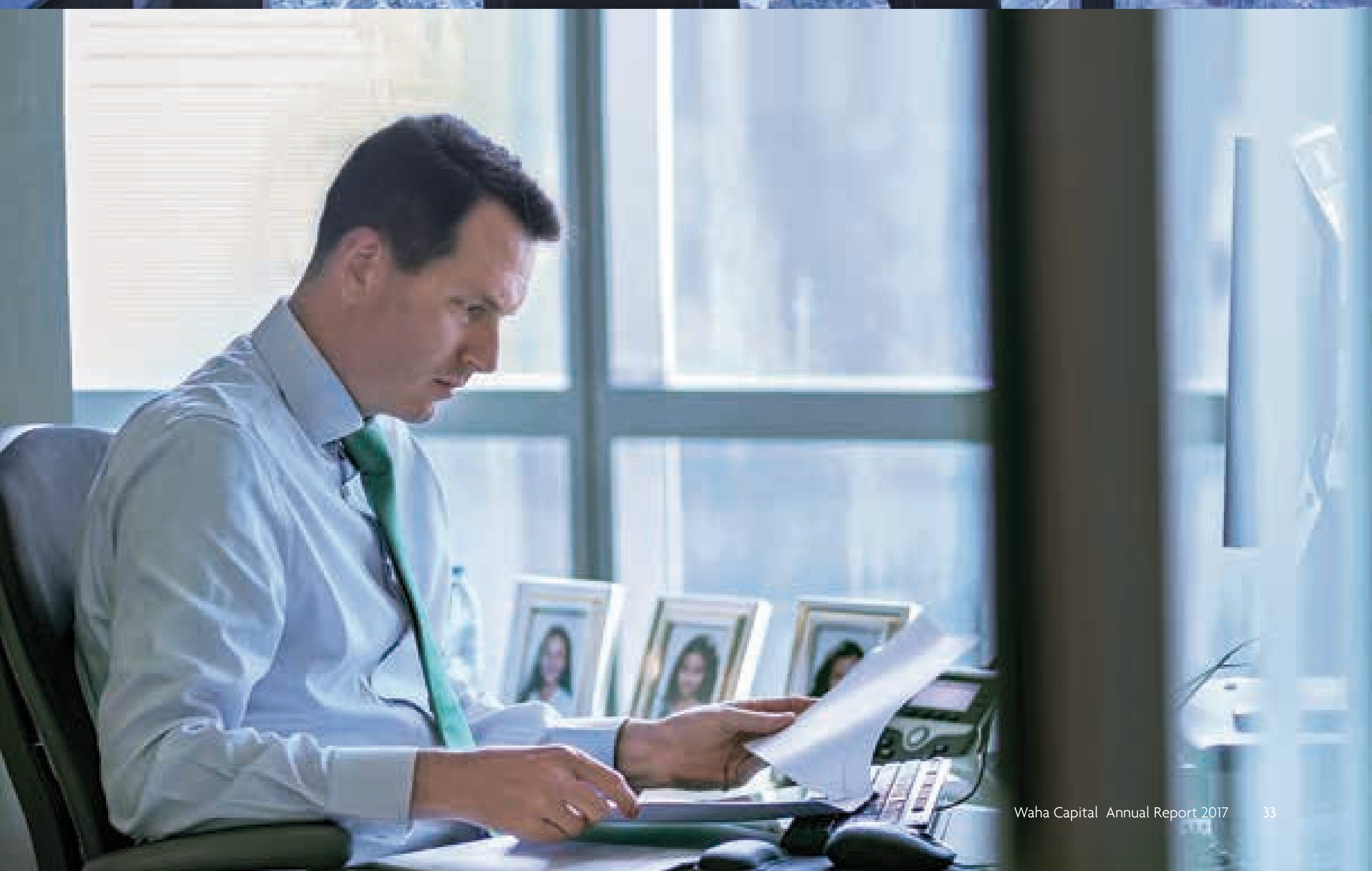
The VaR policy is implemented at the portfolio level and sub-portfolio level, and gives an indication of the expected losses over a specified period of time, taking into account the current composition. We calculate the liquidity-adjusted value at risk (LAVaR) for individual positions using return volatility 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 primary criterion 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. Continuous independent review of the portfolio of securities is a key component of our risk management culture, which we believe aids in delivering long-term shareholder value.

Corporate Governance



Commitment to Strong Corporate Governance

Waha Capital's commitment to a robust corporate governance framework is essential for its long-term prosperity and it 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.

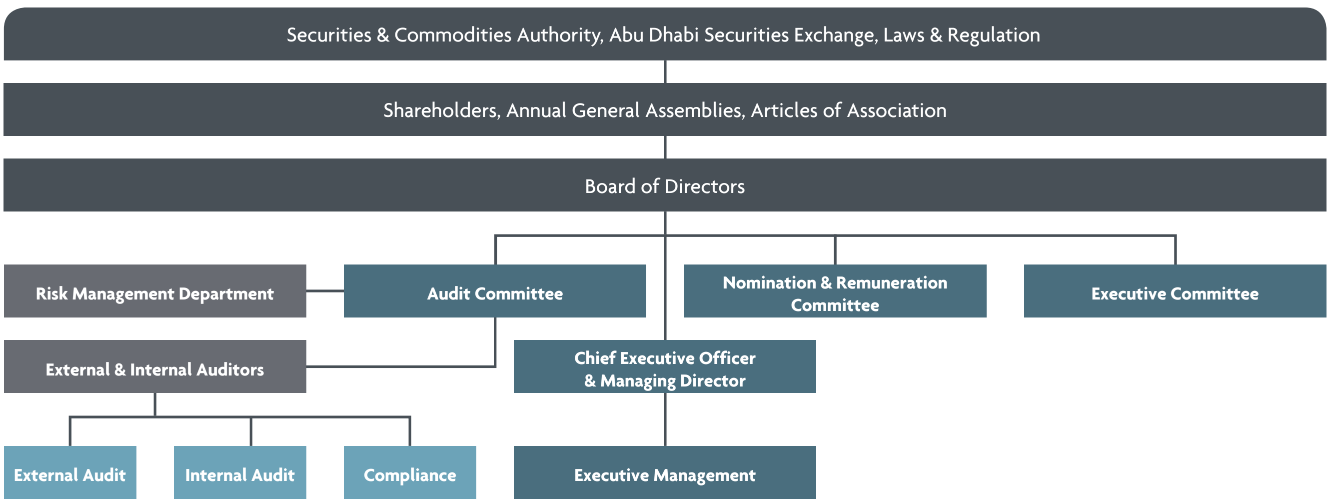
Accordingly, Waha Capital has implemented a comprehensive corporate governance framework which is modelled on international best practice and complies with the requirements of the Emirates Securities and Commodities Authority (ESCA) and the Abu Dhabi Securities Exchange (ADX). This framework addresses 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
- 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 2017, which is available on our website www.wahacapital.ae.

Corporate Governance Structure



Waha Capital's corporate governance framework is headed by the Board of Directors. The Board is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Memorandum and Articles of Association, and its duties to shareholders, creating and delivering sustainable value through the proper management of the Company's business. The Board is assisted in this process internally by the Board Committees, the Internal Control Department, the Compliance Officer, the Risk Management Department and day-to-day by members of the Executive Management.

Board

The current Board of Directors 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 directors, except for the CEO/MD who is an Executive Director. Three of the Directors are considered as independent directors 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. 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 objectives 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
- 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
- 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
- preparing a succession plan for the Board and its Committees, the Chief Executive Officer, and key members of management

Internal Controls Department

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

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

Under a delegated authority, management is also responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company in an effective and efficient manner.

In 2018, the Company appointed Mr. Khurram Sabir as the Head of Internal Control Department and Compliance Officer. Mr. Sabir is a qualified Chartered Accountant with over 16 years of professional experience in audit and internal controls; he also holds Chartered Financial Analyst (CFA) and Masters of Business Administration (MBA) degrees. In this role, Mr. Sabir reports to the Audit Committee, and enjoys operational independence from management.

Prior to 2018, Mr. Amit Choudhary served as the Company's Head of Internal Control Department and Compliance Officer. Mr. Choudhary is a qualified accountant with over 16 years of professional experience in audit and internal controls at globally reputed accounting firms. Mr. Choudhary holds a Bachelor's degree in Commerce from St. Xavier's College in India, and he is an Associate Chartered Accountant from the Institute of Chartered Accountants in England & Wales and from the Institute of Chartered Accountants of India.
In this role, Mr. Choudhary reported to the Audit Committee, and enjoyed operational independence from management.

Internal Audit

During 2017, the Head of Internal Control carried out an internal audit of the Company's Information Technology department. The findings of the audit were presented to the Company's Audit Committee upon completion of the internal audit and recommendations were adopted for implementation by the Information Technology department.

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 2013-2017 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 2017 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 2017, 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 2017 dividend, its key investor relations materials, and key transactions and financings entered into by the Company.

Share Dealing Policy

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

- no director or employee of the Company (or any subsidiary or other company controlled by Waha Capital) 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

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 Capital's 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 , which currently comprises the following members:

- Mr. Salem Al Noaimi – Chief Executive Officer & Managing Director
- Mr. Alain Dib – Chief Operating Officer
- Mr. Khurram Sabir – Head of Internal Control Department and Compliance Officer

The duties of this Committee are to administer the Company's Share Dealing Policy, and to regularly monitor trading in the Company's shares to reduce the risk of any unauthorised trading by the Company's Directors and employees. In 2017, 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 Directors' 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 2017, the Directors were paid AED 18 million (in aggregate) in respect of the 2016 financial year. The Directors' fees for the 2017 financial year will be decided at the Company's Annual General Meeting for 2018.

No allowances were paid to Directors for their attendance of meetings of the Board or Board Committees in 2017.

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 are available for viewing at the Company's website: www.wahacapital.ae.

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 Vice 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 22 years of experience in the fields of finance and international investment, and over 13 years in the real estate sector. He is currently the Vice Chairman of Waha Capital. 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

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, Central Bank of the UAE, 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, and Anglo Arabian Healthcare.

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

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

H.E. Fahad Saeed Al Raqbani

Director

His Excellency Mr. Al Raqbani is a senior executive with Mubadala Investment 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 CFO of the Petroleum & Petrochemicals platform at Mubadala Investment Company PJSC. His prime responsibilities revolve around appraising and advising the Petroleum & Petrochemicals CEO and Sectors Leads on all financial matters pertaining to the portfolio, which includes investments in global industry leads such as CEPSA, Borealis, Nova Chemicals, Mubadala Petroleum, OMV, etc, with AUM of circa USD 38 billion. 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

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, Central Bank of the UAE, 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, and Anglo Arabian Healthcare.

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

Alain Dib
Chief Operating Officer

Alain Dib joined Waha Capital in 2016 as Chief Operating Officer, to oversee the company's operations, business development and investment activities. He sits on the board of committee companies including Anglo Arabian Healthcare and Channel VAS. Mr. Dib joined Waha Capital after a 20-year career in Investment Banking, where he held senior 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 NEOMA Business 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 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 also obtained 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 20 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 20 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 industrials 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, Channel VAS 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 Aluminium 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) specialising 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, private equity 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.

Amer Aidi

Head of Marketing and Corporate Communications

Amer Aidi leads Waha Capital's marketing and communications function, helping to build strong relationships with a wide range of stakeholders, including investors and the financial community, business partners and portfolio companies.

With over 15 years of experience, he is an experienced strategist, with a track record in designing and delivering effective brand, advertising, digital and traditional media initiatives.

Prior to joining Waha Capital, Mr. Aidi worked with several major global and regional companies, including BMW, Citibank, Nestlé, Majid Al Futtaim and Amlak Finance.

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.

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 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 that is 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, and is currently a Doctorate candidate at Henley Business School, Leadership and Organizational Behavior.

Financial Statements for the year ended 31 December 2017

Independent Auditor's Report

The Shareholders
Al Waha Capital PJSC
Abu Dhabi
United Arab Emirates

Report on the audit of the consolidated financial statements

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 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in our audit
Impairment assessment of equity accounted associates and joint ventures	
Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 12 (financial disclosures). Investments in equity-accounted associates and joint ventures amounted to AED 5.32 billion (47% of total assets) and 5.03 billion (50% of total assets) as at 31 December 2017 and 2016, 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 require significant judgement and there is the risk that valuation of the assets may be incorrect and any potential impairment charge miscalculated. As such, we have identified the impairment assessment as representing key audit matters due to the significance of the balance to the financial statements as a whole, combined with the judgement and estimates associated in conducting the impairment assessment.	As part of our audit procedures, we have: • Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management in performing impairment assessment; • Evaluated the appropriateness of the model and/or methodology used by management to calculate the value in use; • Challenging the reasonableness of management's assumptions and critically assessing the estimates used in determining the recoverable values of material investments; • Benchmarked assumptions applied against external data and assessed reasonableness based on our knowledge of the Group and the industry; and • Reviewed sensitivity analyses and stress test scenarios.
Recognition and valuation of investment properties	
Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 9 (financial disclosures). The Group's investment properties amounted to AED 758.67 million (7% of total assets) and AED 680.57 million (7% of total assets) as at 31 December 2017 and 2016, 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 and valuation of investment properties as a key audit matter in view of the significant judgments involved.	As part of our audit procedures, we have: • Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management in performing recognition and valuation of investment properties; • 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; and • Evaluated management's established criteria for recognition of government grants for reasonability.

Key audit matters continued

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and other intangible assets	
Refer to note 3 (significant accounting policies), note 4 (Critical accounting judgements) and note 10 (financial disclosures). As at 31 December 2017, goodwill and intangible assets amounting to AED 115.16 million (2016: AED 162.75 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 10, 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: • Tested the design and implementation of key controls around the underlying processes and methodologies implemented by management in performing impairment assessment; • Performed the following with the assistance of our valuation specialists: a. assessed whether the valuation model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36; b. 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; c. 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; d. evaluated other assumptions used (e.g., discount rate) in the valuation model; and e. reviewed sensitivity analyses and stress test scenarios.

Other information

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

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) note 13 to the consolidated financial statements discloses that the Group purchased or invested in shares during the financial year ended 31 December 2017;

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

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 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 2017; and

viii) note 23 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:
Georges F. Najem
Registration No. 809

18 February 2018

Abu Dhabi, United Arab Emirates

Consolidated Statement of Financial Position
As at 31 December

	Note	2017 AED '000	2016 AED '000
ASSETS			
Furniture and equipment	8	82,534	70,316
Investment property	9	758,666	680,569
Goodwill and intangible assets	10	115,155	162,753
Investments in finance leases		9,930	11,388
Loan investments	11	232,963	232,963
Investments in equity-accounted associates and joint ventures	12	5,321,224	5,033,561
Financial investments	13	3,575,184	2,823,016
Inventories		8,900	10,619
Trade and other receivables	14	510,680	414,064
Cash and cash equivalents	15	519,626	571,262
		11,134,862	10,010,511
Asset classified as held for sale	7	219,480	–
Total assets		11,354,342	10,010,511
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,944,515	1,944,515
Treasury shares	16	(267,184)	(267,184)
Retained earnings		1,725,713	1,710,069
Reserves		(22,763)	483,597
Equity attributable to the Owners of the Company		3,380,281	3,870,997
Non-controlling interests	5.2	789,569	309,034
Total equity		4,169,850	4,180,031
Liabilities			
Borrowings	17	6,584,012	5,464,877
End of service benefit provision		32,608	29,268
Derivative liabilities	18	123,263	29,761
Trade and other liabilities	19	444,609	306,574
Total liabilities		7,184,492	5,830,480
Total equity and liabilities		11,354,342	10,010,511

These consolidated financial statements were authorised for issue by the Board of Directors on 18 February 2018 and signed on their behalf by:

Chairman

CEO & Managing Director

Chief Financial Officer

The notes numbered 1 to 29 are an integral part of these consolidated financial statements.
The independent auditor's report on the consolidated financial statements is set out on pages 46 to 49.

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

	Note	2017 AED '000	2016 AED '000
Revenue from sale of goods and services	20	318,372	327,112
Cost of sale of goods and services	20	(210,277)	(182,285)
Gross profit		108,095	144,827
Share of profit from equity-accounted associates and joint ventures, net	12	644,706	566,005
Impairment of equity-accounted associates and joint ventures	12	(257,348)	(76,894)
Gain/(loss) on disposal of equity-accounted associates and joint ventures		50,207	(16,401)
Gain on disposal of a subsidiary	5.3	124,477	–
Income from financial investments	21	330,400	380,048
Other expenses, net	22	(49,605)	(29,965)
General and administrative expenses	23	(369,830)	(430,674)
Finance cost, net	24	(127,141)	(134,185)
Profit for the year		453,961	402,761
Profit/(loss) for the year attributable to:			
Owners of the Company		425,940	407,169
Non-controlling interests		28,021	(4,408)
Profit for the year		453,961	402,761
Basic and diluted earnings per share attributable to the Owners of the Company (AED)	16	0.231	0.220

The notes numbered 1 to 29 are an integral part of these consolidated financial statements.
The independent auditor's report on the consolidated financial statements is set out on pages 46 to 49.

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

	2017 AED '000	2016 AED '000
Profit for the year	453,961	402,761
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of effective portion of changes in fair value of cash flow hedges	(542,604)	18,465
Hedge reserve reclassification adjustments for amounts recognised in profit or loss (note 21)	–	(25,733)
Share of change in other reserves of equity-accounted associates and joint ventures (note 12.2)	816	(720)
Release of share of other reserves of equity-accounted associates and joint ventures upon disposal	(92)	(36)
	(541,880)	(8,024)
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of financial assets at fair value through other comprehensive income (note 13)	(7,074)	5,615
	(7,074)	5,615
Other comprehensive loss for the period	(548,954)	(2,409)
Total comprehensive (loss)/income for the year	(94,993)	400,352
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(123,014)	404,760
Non-controlling interests	28,021	(4,408)
Total comprehensive (loss)/income for the year	(94,993)	400,352

The notes numbered 1 to 29 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 46 to 49.

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

	Share capital AED '000	Treasury shares AED '000	Retained earnings AED '000	Statutory reserve AED '000	Revaluation reserve AED '000	Hedge reserve AED '000	Other reserves AED '000	Total reserves AED '000	Equity attributable to Owners of the Company AED '000	Non-controlling interests AED '000	Total equity AED '000
At 1 January 2016	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/(loss) for the year	–	–	407,169	–	–	–	–	–	407,169	(4,408)	402,761
Other comprehensive income/(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
Restatement[1]	–	–	–	–	–	–	–	–	–	(5,534)	(5,534)
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	309,034	4,180,031
Profit for the year	–	–	425,940	–	–	–	–	–	425,940	28,021	453,961
Other comprehensive (loss)/income	–	–	–	–	(7,074)	(542,604)	724	(548,954)	(548,954)	–	(548,954)
Total comprehensive income/(loss)	–	–	425,940	–	(7,074)	(542,604)	724	(548,954)	(123,014)	28,021	(94,993)
Cash dividend (note 16)	–	–	(367,702)	–	–	–	–	–	(367,702)	–	(367,702)
Transfer to statutory reserve	–	–	(42,594)	42,594	–	–	–	42,594	–	–	–
Contributions from non-controlling interests, net	–	–	–	–	–	–	–	–	–	456,612	456,612
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,508)	(1,508)
Disposal of a subsidiary (note 5.3)	–	–	–	–	–	–	–	–	–	(2,590)	(2,590)
At 31 December 2017	1,944,515	(267,184)	1,725,713	472,491	4,337	(500,557)	966	(22,763)	3,380,281	789,569	4,169,850

[1] The non-controlling interest pertaining to Waha Investment Management Company SPC and the corresponding receivable from the investors as of 31 December 2016 was overstated by an amount of AED 5,534 thousand. The balances of non-controlling interests and receivables as of 31 December 2016 were restated accordingly.

The notes numbered 1 to 29 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 46 to 49.

Consolidated Statement of Cash Flows
For the year ended 31 December

	Note	2017 AED '000	2016 AED '000
Cash flows from operating activities			
Profit for the year		453,961	402,761
Adjustments for:			
Depreciation	8	17,676	14,538
Finance cost	24	141,444	150,868
Charge for employees' end of service benefits		10,602	8,616
Gain on valuation of financial assets at fair value through profit or loss		(330,851)	(268,417)
Hedge reserve reclassification adjustments in profit or loss	21	–	(25,733)
Interest on time deposits	24	(3,300)	(4,364)
Share of profit from equity-accounted associates and joint ventures, net	12	(644,706)	(566,005)
Impairment of equity-accounted associates and joint ventures	12	257,348	76,894
(Gain)/loss on disposal of equity-accounted associates and joint ventures		(50,207)	16,401
Gain on disposal of a subsidiary	5.3	(129,001)	–
Interest income from loan investments at amortised cost	24	(9,858)	(10,948)
Interest income from investments in finance leases	24	(1,145)	(1,371)
Decrease in fair value of investment property	22	58,361	40,548
Dividend from equity-accounted associates and joint ventures	12	17,214	35,850
Gain on disposal of investment property	22	(1,394)	–
Amortisation and write off of intangible assets	23	17,248	12,412
Reversal of slow moving and obsolete inventories	22	(38)	(52)
Provision for doubtful debts	23	15,914	3,162
Changes in working capital:			
Change in inventories		(1,722)	(1,906)
Change in trade and other receivables		(23,313)	(32,135)
Change in trade and other liabilities		143,913	(381)
Net cash used in operations		(61,854)	(149,262)
Employees' end of service benefits paid		(5,038)	(1,063)
Net cash used in operating activities		(66,892)	(150,325)
Cash flows from investing activities			
Investment in equity-accounted associates and joint ventures	12	(200,451)	(526,277)
Purchase of intangibles, net		(3,263)	(869)
Purchase of investments at fair value through profit or loss, net		(877,493)	(244,788)
Purchase of derivatives designated and effective as hedging instruments carried at fair value		–	(139,742)
Payments made for development of investment property		(135,044)	(25,107)
Purchase of furniture and equipment, net		(33,695)	(44,842)
Proceeds from disposal of a subsidiary, net of cash disposed	5.3	169,979	–
Proceeds from disposal of associates and joint ventures		–	643,797
Capital receipt from financial assets at FVTOCI		–	76,983
Proceeds from finance leases		11,718	7,757
Wakala deposit redeemed/(placed)		5,000	(30,000)
Interest received		3,300	4,364
Net cash used in investing activities		(1,059,949)	(278,724)
Cash flows from financing activities			
Finance cost paid on borrowings		(83,117)	(229,318)
Loans repaid	17	(50,016)	(1,381,432)
Loans obtained	17	1,120,936	1,602,504
Shares bought back	16	–	(34,016)
Dividends paid	16	(367,702)	(370,341)
Contributions by non-controlling interest holders, net		456,612	266,834
Dividends paid to non-controlling interests		(1,508)	(4,578)
Net cash from/(used in) financing activities		1,075,205	(150,347)
Net decrease in cash and cash equivalents		(51,636)	(579,396)
Cash and cash equivalents at 1 January		571,262	1,150,658
Cash and cash equivalents at 31 December		519,626	571,262

The notes numbered 1 to 29 are an integral part of these consolidated financial statements.

The independent auditor's report on the consolidated financial statements is set out on pages 46 to 49.

1 Legal status and principal activities

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

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

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

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) and applicable provisions of the Company's law.

(b) Basis of measurement

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

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

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

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

(c) Functional currency and presentation currency

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

(d) New and revised IFRS

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

In the current year, the Group has applied a number of 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 2017, as follows:

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 12	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

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.

2 Basis of preparation continued

(d) New and revised IFRS continued

(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)	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to IFRS 2 *Share Based Payment regarding* classification and measurement of share based payment transactions	1 January 2018
Amendments to IAS 40 *Investment Property* regarding transfer of investment property	1 January 2018
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
Amendment to IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation	1 January 2019
IFRIC 23 *Uncertainty over income tax treatments*	1 January 2019
Amendments to *IAS 28 Investments in Associates and Joint Ventures* regarding application of IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture	1 January 2019
IFRS 17 *Insurance Contracts*	1 January 2021

IFRS 9 Financial Instruments (revisions in 2014):

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

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.

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.

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.

IFRS 17 Insurance Contracts:

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Amendments to IAS 40 Investment Property:

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.

Management has carried out the impact analysis of these IFRS and estimated an adjustment of AED 17,235 thousand pertaining to an equity accounted investee on the adoption of the impairment related provisions of IFRS 9. Further, management anticipates that the adoption of other IFRSs applicable on 1 January 2018 will have no material impact on the consolidated financial statements of the Group.

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.

3 Significant accounting policies continued

(a) Basis of consolidation continued

(ii) Business combinations continued

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 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 asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with 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.

(iv) Associates and joint ventures designated at FVTPL

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

(b) Non-current assets held for sale

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

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

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

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

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

(c) Furniture and equipment

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

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

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

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

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

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

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

(d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Cost includes all direct costs attributable to bringing the assets to the location and condition necessary for the asset to operate in the manner intended, including related staff costs, design, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, they are transferred from work-in-progress to completed properties. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

3 Significant accounting policies continued

(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).

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 22).

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.

3 Significant accounting policies continued

(i) Financial instruments continued

Financial liabilities and equity instruments continued

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.

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 cash flow risk resulting from changes in equity price on a forecasted sale of equity accounted investee, as cash flow hedges.

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

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

3 Significant accounting policies continued

(i) Financial instruments continued

Hedge accounting continued

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).

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.

3 Significant accounting policies continued

(o) Government grants continued

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements.

The determination of whether future economic benefits will flow to the Group is made by management using guidelines approved by the Board of Directors; each such determination is also approved by the Board of Directors. Once the determination is made, land is recognised in the financial statements at nominal value.

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

(p) Statutory reserve

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) Key sources of estimation uncertainty

(i) Investment property valuation

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

In the absence of reliable estimates of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated future cash flows expected to be received from the property. Accordingly, for existing and planned small industrial unit the valuation is based on income capitalization approach which assumes projected rental streams capitalized at appropriate rates to reflect the market conditions; whereas for serviced land the valuation is based on residual value method which requires the use of expected sales price, construction cost, professional fees, financing cost and targeted internal rate of return. Based on the revaluation, a fair value decrease of AED 58,361 thousand was recognised in the current year (2016: decrease of AED 40,548 thousand). The key estimates used in the fair valuation of the investment properties are disclosed in note 9.

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

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

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

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

Based on estimates of recoverable amount developed in accordance with these assumptions, an impairment of AED 257,348 thousand was recognised (2016: AED 76,894 thousand).

(iii) Impairment of goodwill

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

(iv) Allowance for doubtful receivables

The Group has estimated the recoverability of trade and other receivables, 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 28(e).

(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 N.V. ("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 17.55% equity ownership. Accordingly, the Group's investment in Aercap is classified as an equity-accounted associate.

(iii) Indemnity provided upon disposal of a subsidiary

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

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

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 2017	Group's shareholding 2016
Principal Investments				
Waha AC Cooperatief U.A.[1]	Netherlands	Investment in AerCap	100%	100%
MEA Energy Investment Company Limited[2]	Cayman Islands	Financial investments	100%	100%
Al Waha Land LLC	UAE	Industrial Real Estate	100%	100%
Asset Management				
Anglo Arabian Healthcare Investments LLC	UAE	Healthcare	90.1%	90.1%
Waha Investment PrJSC	UAE	Investment Manager	100%	100%
Waha Investment Management Company SPC[3]	Cayman Islands	Financial investments	100%	100%
Waha VAS Limited[4]	Cayman Islands	Investment in Channel VAS	100%	–
Oasis Investment No 1 Limited	Cayman Islands	Private financial transactions	100%	100%
Oasis Investment No 2 Limited	Cayman Islands	Private financial transactions	100%	100%

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

[2] Holding Company carrying an investment in SDX Energy Inc. (note 13).

[3] Waha Investment Management Company SPC owns 98.9% of Waha MENA Value Fund SP (2016: 100%), 51.8% of Waha MENA Equity Fund SP (2016: 67.8%), and 60.5% of Waha CEEMEA Fixed Income Fund SP (2016: 89.5%).

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

5 Composition of the Group continued

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.

	2017 AED '000	2016 AED '000
Statement of financial position		
Total assets-current	3,729,287	2,702,735
Total liabilities-current	(1,622,247)	(1,250,542)
Non-controlling interests[1]	(747,402)	(267,723)
Equity attributable to the Owners of the Company	1,359,638	1,184,470

[1] Movement in non-controlling interests include investments into a) Waha MENA Equity Fund SP of AED 211,662 thousand (2016: AED 194,934 thousand), following which the Group's ownership reduced from 67.8% to 51.8%; b) Waha CEEMEA Fixed Income Fund SP of AED 217,870 thousand (2016: AED 47,814 thousand), following which the Group's ownership reduced from 89.5% to 60.5%; and c) Waha MENA Value Fund SP of AED 2,078 thousand (2016: AED Nil), following which the Group's ownership reduced from 100% to 98.9%.

	Year ended 31 December 2017 AED '000	Year ended 31 December 2016 AED '000
Statement of profit or loss		
Income from financial investments	285,931	261,290
Expenses	(68,228)	(50,645)
Profit for the year	217,703	210,645
Profit attributable to Owners of the Company	169,633	183,240
Profit attributable to the non-controlling interests	48,070	27,405
Profit for the year	217,703	210,645
Statement of cash flows		
Net cash outflow from investing activities	(855,492)	(239,610)
Net cash inflow from financing activities	718,159	436,739
Net cash (outflow)/inflow	(137,333)	197,129

5.2b Anglo Arabian Healthcare Investments LLC

Anglo Arabian Healthcare Investments LLC ("AAH") is a holding company for the Group's 70% ownership interest in Sharjah Corniche Hospital LLC ("SCG") and Health Bay Polyclinic (2016: 70%), 60% in Ibn Sina Medical Centre LLC and Oras Medical Center LLC (2016: 60%), 100% in AAH Services FZ LLC (2016: 100%) and 80% in IVF Investment LLC (2016: 80%).

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.

	2017 AED '000	2016 AED '000
Statement of financial position		
Non-current assets	193,318	222,375
Current assets	265,774	134,327
Total liabilities	(96,438)	(138,528)
Non-controlling interests[1]	(42,167)	(41,311)
Equity attributable to the Owners of the Company	320,487	176,863

[1] Movement in non-controlling interests include contributions of non-controlling interest holders' share of investment amounting to AED 20,674 thousand (2016: AED 18,956 thousand).

	Year ended 31 December 2017 AED '000	Year ended 31 December 2016 AED '000
Statement of profit or loss		
Revenue	287,499	295,115
Gain on disposal of a subsidiary	124,477	–
Expenses	(366,538)	(413,250)
Profit/(loss) for the year	45,438	(118,135)
Profit/(loss) attributable to Owners of the Company	65,487	(86,322)
Loss attributable to the non-controlling interests	(20,049)	(31,813)
Profit/(loss) for the year	45,438	(118,135)
Statement of cash flows		
Net cash outflow from operating activities	(54,896)	(64,955)
Net cash inflow/(outflow) from investing activities	135,073	(52,820)
Net cash inflow from financing activities	88,169	109,469
Net cash inflow/(outflow)	168,346	(8,306)

5.3 Disposal of a subsidiary

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

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

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

6 Operating segments

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, fintech 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.

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

	Principal investments AED '000	Asset Management		Corporate AED '000	Consolidated AED '000
		Private equity AED '000	Capital markets AED '000		
2017					
Revenue from sale of goods and services	30,873	287,499	–	–	318,372
Cost of sales	(1,722)	(208,555)	–	–	(210,277)
Share of profit from investment in equity-accounted investees, net	644,706	–	–	–	644,706
Impairment of equity-accounted associates and joint ventures	(257,348)	–	–	–	(257,348)
Gain on disposal of equity-accounted associates and joint ventures	50,207	–	–	–	50,207
Gain on disposal of a subsidiary	–	124,477	–	–	124,477
Income from financial investments	44,632	–	285,768	–	330,400
Other (expense)/income, net	(51,297)	12,166	(10,481)	7	(49,605)
General and administrative expenses – parent	(6,767)	(9,622)	(27,001)	(126,952)	(170,342)
General and administrative expenses – subsidiaries	(33,765)	(153,371)	(12,352)	–	(199,488)
Finance cost, net	354	1,221	(28,958)	(99,758)	(127,141)
Profit/(loss) for the year	419,873	53,815	206,976	(226,703)	453,961
Other comprehensive loss	(548,954)	–	–	–	(548,954)
2016					
Revenue from sale of goods and services	31,997	295,115	–	–	327,112
Cost of sales	(2,492)	(179,793)	–	–	(182,285)
Share of profit from investment in equity-accounted investees, net	566,005	–	–	–	566,005
Impairment of equity-accounted associates and joint ventures	(76,894)	–	–	–	(76,894)
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, net	(29,047)	6,748	(7,675)	9	(29,965)
General and administrative expenses – parent	(6,734)	(12,448)	(21,783)	(117,930)	(158,895)
General and administrative expenses – subsidiaries	(13,188)	(239,565)	(19,026)	–	(271,779)
Finance cost, net	408	(640)	(23,350)	(110,603)	(134,185)
Profit/(loss) for the year	490,985	(130,583)	270,883	(228,524)	402,761
Other comprehensive loss	(2,409)	–	–	–	(2,409)

Segment income reported above represents income generated from external customers. There was no inter-segment income during the year (2016: AED nil). All revenues are generated from sales of goods and services within the UAE. Included in revenue from sales of goods and services are revenues of approximately AED 68,088 thousand (2016: AED 84,405 thousand) which arose from the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

During the year, the Group recognised an impairment loss of AED 257,348 thousand (2016: AED 76,894 thousand) on investments in equity accounted investees, and a fair value loss of AED 58,361 thousand (2016: AED 40,548 thousand) on investment properties in the Principal Investments segment.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration cost amounting to AED 226,703 thousand (2016: AED 228,524 thousand). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Principal investments AED '000	Asset Management		Corporate AED '000	Consolidated AED '000
		Private equity AED '000	Capital markets AED '000		
2017					
Investment in equity-accounted associates and joint ventures	5,321,224	–	–	–	5,321,224
Other assets	1,272,860	472,492	4,142,608	145,158	6,033,118
Segment assets	6,594,084	472,492	4,142,608	145,158	11,354,342
Segment liabilities	170,583	98,693	2,013,423	4,901,793	7,184,492
Capital expenditures	144,364	34,890	1,331	544	181,129
Depreciation and amortisation	710	21,565	4,580	2,920	29,775
2016					
Investment in equity-accounted associates and joint ventures	5,033,561	–	–	–	5,033,561
Other assets	1,333,261	365,264	3,046,148	232,277	4,976,950
Segment assets	6,366,822	365,264	3,046,148	232,277	10,010,511
Segment liabilities	55,134	139,975	1,555,035	4,080,336	5,830,480
Capital expenditures	25,663	42,065	40	2,188	69,956
Depreciation and amortisation	390	18,602	1,000	1,729	21,721

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 145,158 thousand (2016: AED 232,277 thousand)
- All liabilities are allocated to operating segments other than corporate liabilities of AED 4,901,793 thousand (2016: 4,080,336 thousand)

7 Asset classified as held for sale

	2017 AED '000	2016 AED '000
Investment in equity-accounted associate reclassified as held for sale	283,606	–
Disposal	(64,126)	–
	219,480	–

The Group held a 20.62% equity stake in NPS Holdings Limited (indirectly through Castle SPC Limited), an oil and gas company incorporated in United Arab Emirates. The investment was accounted under equity method and included within "Investments in equity-accounted associates and joint ventures". The investment is part of the Principal Investments operating segment.

7 Asset classified as held for sale continued

On 12 November 2017, the Group agreed to sell the entire investment to a private group based in Saudi Arabia and a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR), in two stages; which resulted in reclassifying the investment as held for sale. Subsequently, the first stage exit of 4.68% was completed and a gain on partial disposal amounting to AED 50,207 thousand was recognised, calculated as follows:

	2017 AED '000
Proceeds from disposal	114,241
Share of other reserves	92
Carrying amount of investment disposed	(64,126)
Gain on disposal	50,207

The consideration of the remaining stake held for sale of 15.94% is expected to be above its carrying amount, comprising cash and equity shares in NESR. The second stage exit is expected to be completed after receiving the necessary regulatory approvals in 2018.

8 Furniture and equipment

	Leasehold improvements AED '000	IT equipment, furniture and fittings AED '000	Medical and other equipment AED '000	Motor vehicles AED '000	Capital work in progress AED '000	Total AED '000
Useful economic lives (years)	3 – 5	3 – 5	5 – 7	3	–	
Cost						
At 1 January 2016	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
Additions	1,059	4,417	18,082	195	9,983	33,736
Transfers	–	1,447	–	–	(1,447)	–
Disposals	(58)	(329)	–	(126)	–	(513)
Derecognised on disposal of a subsidiary	(2,430)	(3,554)	(4,759)	(540)	–	(11,283)
At 31 December 2017	23,299	33,114	75,965	2,414	23,564	158,356
Accumulated depreciation and impairment						
At 1 January 2016	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
Charge for the year [1]	2,390	4,967	9,677	642	–	17,676
Disposals	(47)	(299)	–	(126)	–	(472)
Derecognised on disposal of a subsidiary	(1,686)	(2,603)	(2,684)	(509)	–	(7,482)
Balance at 31 December 2017	19,456	20,517	33,439	2,410	–	75,822
Net carrying amount						
At 31 December 2017	3,843	12,597	42,526	4	23,564	82,534
As at 31 December 2016	5,929	12,681	36,196	482	15,028	70,316

[1] Depreciation expense of AED 5,087 thousand is included in "Cost of sales of goods and services" (2016: AED 5,229 thousand) and AED 12,589 thousand is included in "General and Administrative expenses" (2016: AED 9,309 thousand).

9 Investment property

	2017 AED '000	2016 AED '000
At 1 January	**680,569**	696,010
Additions	**144,179**	25,107
Fair value loss	(58,361)	(40,548)
Transfer to investment in finance leases[1]	(7,721)	–
At 31 December	**758,666**	680,569

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

The Group has recognised a portion of the land granted in the consolidated financial statements by applying the accounting policy with respect to government grants (refer to note 3(o)) and investment properties (refer to note 3(d)). At 31 December 2017, the fair value of the unrecognised portion of the land granted is estimated at AED 162,350 thousand (2016: AED 208,255 thousand) based on the assumption that it will be developed and sold as serviced land.

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 3,150 thousand (2016: AED 192 thousand).

The investment property is categorised into level 3 of the fair value hierarchy based on the inputs to the valuation technique accepted by the Royal Institute of Chartered Surveyors. The valuation, as of 31 December 2017, was performed by accredited independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. In estimating the fair value, the current use of the property was deemed to be its highest and best use. Valuation methodologies considered by the independent appraisers include:

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

Considering the continuous increase in supply in the industrial real estate market, the valuation of the investment property within Phase 1 was reassessed. Based on the revaluation, a fair value decrease of AED 58,361 thousand was recognised in the current year (2016: decrease of AED 40,548 thousand). The fair value loss is presented within "other expenses, 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 21,103 thousand. Further, a capitalisation rate of 10% was assumed, an increase/decrease of 1% of which would have (decreased)/increased the valuation by AED (2,679) thousand/AED 2,732 thousand, respectively.

For newly developed small industrial units, an increase/decrease of 10% in annual lease rates would have increased/decreased the valuation by AED 24,096 thousand.

For serviced land, an increase/decrease of 10% in sale price would have increased/decreased the valuation by AED 26,478 thousand. Further, a discount rate of 20% was assumed, an increase/decrease of 2% of which would have (decreased)/increased the valuation by AED (13,824) thousand/AED 14,345 thousand, respectively.

10 Goodwill and intangible assets

	Goodwill[2] AED '000	Trademarks AED '000	Licences AED '000	Contract AED '000	Exclusive rights[1] AED '000	Software AED '000	Total AED '000
Useful economic lives (years)	–	5 – 10	5	5	25	3 – 5	
Cost							
At 1 January 2016	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
Additions	–	–	–	–	–	3,214	3,214
Write-offs	–	–	–	–	–	(6,850)	(6,850)
Derecognised on disposal of a subsidiary	(7,550)	–	(8,176)	–	(28,433)	–	(44,159)
At 31 December 2017	84,185	28,344	–	25,589	–	9,290	147,408
Accumulated amortisation and impairment							
At 1 January 2016	–	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
Balance at 31 December 2016	–	7,179	5,995	10,662	2,059	6,555	32,450
Adjustment	–	–	–	–	(57)	8	(49)
Amortisation expense	–	3,167	1,500	5,118	1,049	2,368	13,202
Write-offs	–	–	–	–	–	(2,804)	(2,804)
Derecognised on disposal of a subsidiary	–	–	(7,495)	–	(3,051)	–	(10,546)
At 31 December 2017	–	10,346	–	15,780	–	6,127	32,253
Net carrying amount							
At 31 December 2017	84,185	17,998	–	9,809	–	3,163	115,155
At 31 December 2016	91,735	21,165	2,181	14,927	26,374	6,371	162,753

[1] 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.

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

- Diagnostics
- Affordable care
- Premium care

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

	2017 AED '000	2016 AED '000
Diagnostics	–	7,550
Affordable care	41,423	41,423
Premium care	42,762	42,762
	84,185	91,735

The recoverable amounts of Affordable care and Premium care cash-generating units were determined based on level 3 fair value calculation which uses cash flow projections based on a business plan approved by the directors covering a 5 year period, and a discount rate of 13% to 14% per annum (2016: 13% to 16% per annum) for Affordable care and 13% to 14% per annum (2016: 13% to 16% per annum) for Premium care. Cash flow projections during the period are based on the gross margins and direct costs price inflation throughout the projection period which are in line with the respective industries in which Affordable care and Premium care operates. The cash flows beyond that five year period have been extrapolated using a 3% (2016: 3%) per annum growth rate which is the projected long term average growth rate for the market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based, would not cause the aggregate carrying amount to exceed the recoverable amounts of the cash generating units.

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

Diagnostics segment relates to AAH's investment in Proficiency Healthcare Diagnostic LLC ("PHD"), which was disposed off during the year (note 5.3).

11 Loan investments

	2017 AED '000	2016 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 25).

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

12 Investments in associates and joint ventures

	2017 AED '000	2016 AED '000
Carrying Amount		
Equity-accounted associates	4,938,888	4,832,530
Equity-accounted joint ventures	382,336	201,031
Total equity-accounted associates and joint-ventures	5,321,224	5,033,561
Associate carried at FVTPL (note 13)	109,691	17,205

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	2017	2016
AerCap Holdings N.V. ("Aercap")[1]	Aircraft leasing	Netherlands	17.55%	15.23%
SDX Energy Inc. ("SDX")[2]	Oil and gas services	Canada	19.39%	14.40%
NPS Holdings Limited[3]	Oil and gas services	United Arab Emirates	15.94%	20.62%

[1] Investment in Aercap Holdings N.V. is carried under equity accounting method.

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% as at 31 December 2016.

During the current year, Aercap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 15.23% to 17.55% as at 31 December 2017.

[2] During the current year, the Group, through its 100% subsidiary MEA Energy Investment Company Limited, acquired an additional 4.99% equity stake in SDX, taking its aggregated ownership to 19.39%. Given the Group's representation on the Board of SDX, the investment was classified as an Associate. However, since the investment is carried as part of the Group's venture capital activities, it is accounted for at fair value through profit or loss (note 13).

[3] In the prior year, The Group held a 20.62% equity stake in NPS Holdings Limited (indirectly through Castle SPC Limited), an oil and gas company incorporated in United Arab Emirates. The investment was accounted under equity method and included within "Investments in equity-accounted associates and joint ventures". On 12 November 2017, the Group agreed to sell its entire stake to a private group based in Saudi Arabia and a NASDAQ-listed entity, National Energy Services Reunited Corp. (NESR) in two stages; which resulted in reclassifying the investment in equity accounted associate as held for sale (note 7).

12 Investments in associates and joint ventures continued

12.1 Details of material associates continued

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

	AerCap		SDX Energy Inc.[1]	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Statement of financial position				
Current assets	29,944,286	29,242,141	280,506	58,429
Non-current assets	124,679,364	123,837,885	230,361	94,638
Current liabilities	18,318,614	19,571,337	65,722	14,944
Non-current liabilities	104,531,478	101,943,122	14,889	1,066
Non-controlling interests	217,385	212,651	–	–
Statement of profit or loss				
Revenue	18,527,899	18,949,538	103,576	47,498
Profit/(loss) for the year	3,958,083	3,849,505	110,785	(103,720)
Other comprehensive income for the year	59,006	16,691	3,016	872
Total comprehensive income/(loss) for the year	4,017,089	3,866,196	113,801	(102,848)
Group's share of contingencies	222,243	202,442	–	–
Group's share of commitments	11,690,714	12,645,503	29,194	2,696

[1] The 2017 amounts disclosed above pertain to the nine-month period ended and as of 30 September 2017.

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	
	2017 AED '000	2016 AED '000
Net assets of the associate	31,556,173	31,352,916
Proportion of the Group's ownership interest	17.55%	15.23%
Group's share of net assets of the associate	5,538,108	4,775,049
Goodwill	–	–
Impairment	(244,740)	–
Fair value adjustments relating to acquisitions and other adjustments upon shares buyback	(354,480)	(226,895)
Carrying amount of associate	4,938,888	4,548,154

During the year, the Group recognised net share of loss of AED 12,608 thousand from associates that are not individually material (2016: loss of AED 53,024 thousand), the total carrying value of such investments amounting to AED nil (2016: AED 12,608 thousand).

12.2 Details of material joint ventures

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

Joint venture	Principal activity	Country of incorporation	Group's shareholding 2017	Group's shareholding 2016
Dunia Finance [1]	Banking	UAE	25.00%	25.00%
Channel VAS Investments Limited [2]	Fintech	UAE	20.00%	–

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

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

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

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

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

	Dunia Finance		Channel VAS	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Statement of financial position				
Current assets				
- cash and cash equivalents	168,201	209,068	28,523	–
- others	25,891	23,437	47,416	–
Non-current assets	2,043,529	1,989,039	19,346	–
Current liabilities				
- trade and other payables	115,998	106,446	7,059	–
- others	15,216	1,175	192	–
Non-current liabilities	1,470,359	1,396,183	2,679	–
Non-controlling interests	–	–	1,395	–
Statement of profit or loss				
Revenue	–	–	170,134	–
Expenses	–	–	50,317	–
Interest income	582,737	624,276	–	–
Interest expense	68,041	62,798	–	–
Depreciation and amortisation	6,457	5,716	2,325	–
Profit before tax	(81,693)	73,074	107,907	–
Income tax expense	–	–	(13,602)	–
Profit for the year	(81,693)	73,074	94,305	–
Statement of cash flows				
Dividends received during the year	–	34,750	1,471	–
Group's share of contingencies	435,250	614,683	17,054	–
Group's share of commitments	1,925	3,716	–	–

12 Investments in associates and joint ventures continued

12.2 Details of material joint ventures continued

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

	Dunia Finance		Channel VAS	
	2017 AED '000	2016 AED '000	2017 AED '000	2016 AED '000
Net assets of the joint venture	636,048	717,740	83,960	–
Proportion of the Group's ownership interest	25%	25%	20%	–
Group's share of net assets of the joint venture	159,012	179,435	16,792	–
Goodwill	6,405	6,405	80,434	–
Intangible assets	–	–	105,379	–
Other adjustments	4	23	(1,478)	–
Carrying amount of joint venture	165,421	185,863	201,127	–

During the year, the Group recognised net share of profit of AED 1,196 thousand from joint ventures that are not individually material (2016: AED 480 thousand), the total carrying value of such investments amounting to AED 15,788 thousand (2016: AED 15,168 thousand).

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

	2017 AED '000	2016 AED '000
As at 1 January	5,033,561	4,714,977
Additions due to acquisitions	200,451	526,277
Disposals	–	(660,234)
Share of profit, net	644,706	566,005
Impairment loss (note 4)	(257,348)	(76,894)
Share of equity reserves	816	(720)
Distributions received	(17,214)	(35,850)
Reclassified as held for sale (note 7)	(283,606)	–
Other adjustments	(142)	–
At 31 December	5,321,224	5,033,561

The Group's investments with a carrying amount of AED 4,938,889 thousand (2016: AED 4,819,921 thousand) are collateralised against the Group's borrowings (note 17).

Investment in equity-accounted associates and joint ventures domiciled outside UAE amount to AED 4,938,889 thousand (31 December 2016: AED 4,819,921 thousand).

The fair value of publicly listed equity-accounted associates and joint ventures based on quoted market price is AED 5,195,302 thousand (2016: AED 4,108,154 thousand), carried at AED 4,938,889 thousand (2016: AED 4,548,154 thousand).

13 Financial investments

	2017 AED '000	2016 AED '000
Financial assets at FVTOCI		
Unquoted fund[1]	63,838	70,912
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar[2]	–	433,462
Financial assets at fair value through profit or loss		
Derivative assets[5]	48,122	56,595
Reverse repurchase contracts[6]	130,305	60,524
Listed fixed income securities[3]	2,072,245	1,563,664
Listed equity securities[4]	1,254,437	632,223
Other investments	6,237	5,636
	3,575,184	2,823,016

Financial investments held outside the UAE amount to AED 2,620,554 thousand (31 December 2016: AED 2,379,857 thousand).

[1] The unquoted fund is a private equity fund that invests in infrastructure development projects across MENA. During 2016 , 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 Nil (note 21) (2016: AED 4,858 thousand) and recognised a fair value loss of AED 7,074 thousand (2016: gain of AED 5,615 thousand).

[2] The Group carries equity price collars on 17.55% 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 (refer to note 17 and 18).

[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 4.73% (2016: 4.44%). As at 31 December 2017, the securities have maturity dates ranging between 5 month and 30 years.

Listed fixed income securities totalling AED 1,685,987 thousand (31 December 2016: AED 1,359,945 thousand) are pledged as security against the Group's borrowings under repurchase agreements (note 17).

[4] The Group's portfolio of listed equity securities includes UAE equities amounting to AED 667,454 thousand (2016: AED 374,536 thousand) and other GCC equities amounting to AED 352,995 thousand (2016: AED 192,036 thousand). During the year, the Group purchased listed equity shares for AED 3,265,464 thousand (2016: AED 2,100,483 thousand).

Included in the listed equity securities is a 19.39% associate investment in SDX Energy Inc. carried at AED 109,691 thousand (2016: AED 17,205 thousand), as part of the Group's venture capital activities and measured at FVTPL (note 12.1).

[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 12,168,622 thousand (31 December 2016: AED 8,753,410 thousand).

[6] Reverse repurchase contracts are shorted simultaneously. The carrying amounts presented are net of reverse repurchase receivables of AED 1,000,565 thousand and corresponding liabilities of AED 870,260 thousand (2016: reverse repurchase receivables of AED 469,998 thousand and corresponding liabilities of AED 409,474 thousand). The repurchase agreements are subject to a master netting agreement.

14 Trade and other receivables

	2017 AED '000	2016 AED '000
Trade receivables	165,164	176,082
Allowance for doubtful debts	(24,616)	(10,291)
Prepayments and advances	20,398	42,102
Accrued interest	89,543	70,517
Amounts set aside for prior year dividends	36,959	37,833
Deposits under lien	36,011	36,000
Wakala deposits	25,000	30,000
Other receivables[1]	162,221	31,821
	510,680	414,064

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

14 Trade and other receivables continued

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

	2017 AED '000	2016 AED '000
Middle East	81,317	112,388
Europe	83,847	63,694
	165,164	176,082

The ageing of trade receivables as at 31 December is:

	2017 AED '000	2016 AED '000
Not past due	109,631	104,743
Past due and not impaired		
Within 90 days	20,934	21,282
91 days – 180 days	5,552	18,566
181 days – 365 days	1,950	16,149
› 365 days	2,841	5,052
Past due and impaired		
Within 90 days	1,343	–
91 days – 180 days	4,960	–
181 days – 365 days	8,117	882
› 365 days	9,836	9,408
	165,164	176,082

Movement in allowance for doubtful debts

	2017 AED '000	2016 AED '000
Balance at the beginning of the year	10,291	8,825
Impairment losses recognised during the year	15,914	3,162
Reversal of allowance	–	(1,403)
Write-off	(4,130)	(293)
Derecognised on disposal of a subsidiary	(3,446)	–
Other adjustments	5,987	–
Balance at the end of the year	24,616	10,291

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Deposits under lien represent cash collateral for letters of guarantee issued by commercial banks in favour of the Central Bank of the UAE on behalf of the Group. The interest rate on deposits under lien is 2.50% (2016: 0.50%) per annum. All deposits under lien are placed with UAE banks.

15 Cash and cash equivalents

	2017 AED '000	2016 AED '000
Short term deposits held with banks	158,000	103,646
Cash at banks	361,564	467,559
Cash in hand	62	57
	519,626	571,262

The interest rate on short term deposits was 2.06% per annum (2016: 2.15% per annum). All short term deposits are placed with UAE banks.

16 Share capital and dividend

	2017 AED '000	2016 AED '000
Authorised and fully paid up capital:		
1,944,514,687 shares (2016: 1,944,514,687 shares) of AED 1 each	**1,944,515**	1,944,515

On 22 March 2017, the Company held its Annual General Meeting which, among other things, approved a 20% cash dividend amounting to AED 367,702 thousand representing AED 0.20 per share (23 March 2016: cash dividend of AED 370,341 thousand representing AED 0.20 per share).

A cash dividend of AED 0.15 per share for 2017 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 2017, the Company had bought 106,005,973 shares at AED 267,184 thousand. No treasury shares were acquired during 2017 (treasury shares amounting to AED 34,016 thousand were acquired during 2016).

The basic and diluted earnings per share for the year ended 31 December 2017 has been calculated using the weighted average number of shares outstanding during the year after considering the effect of treasury shares.

	2017	2016
Profit for the year attributable to Owners of the Company (AED '000)	**425,940**	407,169
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,838,508,714**	1,846,261,873

17 Borrowings

	31 December 2017 AED '000					31 December 2016 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%	1,327,536	2,382,755	–	3,710,291	1.09% to 1.97%	–	2,982,376	674,534	3,656,910
Secured term loans [2]	LIBOR+3% and EIBOR +1.75%	1,074,963	67,521	39,388	1,181,872	LIBOR+3% and EIBOR +1.75%	313,641	19,442	9,935	343,018
Borrowings through repurchase agreements [3]	1m LIBOR	1,461,660	–	–	1,461,660	1m LIBOR	1,223,180	–	–	1,223,180
Unsecured loans [4]	EIBOR +3.25% and 3.93%	9,509	220,680	–	230,189	EIBOR +3.25% and 3.93%	21,089	–	220,680	241,769
		3,873,668	2,670,956	39,388	6,584,012		1,557,910	3,001,818	905,149	5,464,877

[1] The Group has executed and rolled over its hedging and funding transactions for its 26.85 million shares representing 17.55% stake in AerCap, whereby a gross amount of AED 3,787,677 thousand was raised during 2014 to 2016 as interest bearing financing (note 13 and 18). At the end of the reporting period, an unamortised prepaid interest cost of AED 77,386 thousand was netted as part of the borrowings.

[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 US$ 500 million secured revolving loan facility. The facility is secured by a pledge over the Group's shareholding in Al Waha Land LLC (note 5.1). As at 31 December 2017, an amount of AED 1,070,298 thousand was drawn-down (2016: AED 334,698 thousand) and the Group had undrawn facility of AED 768,702 thousand (2016: AED 1,504,302 thousand).

In 2016, the Group secured AED 426 million in a Murabaha-Ijara based financing for further development of its light industrial real estate project. As of 31 December 2017, an amount of AED 127,616 thousand was drawn-down (2016: AED 24,011 thousand).

[3] Repurchase liabilities represent the Group's 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).

17 Borrowings continued

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

	2017 AED '000	2016 AED '000
At 1 January	5,464,877	5,322,255
Loans drawn-down	1,120,936	1,602,504
Loan arrangement and prepaid interest costs, net of amortisations	58,327	(78,450)
Loans repaid	(50,016)	(1,381,432)
Disposal of a subsidiary (note 5.3)	(10,112)	–
	6,584,012	5,464,877

18 Derivative liabilities

	2017 AED '000	2016 AED '000
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar[1]	109,142	–
Financial liabilities at FVTPL		
Other derivative liabilities[2]	14,121	29,761
	123,263	29,761

[1] The Group carries equity price collars on its entire 26.85 million shares representing 17.55% 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 (note 17). 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 fair value loss of AED 542,604 thousand (2016: gain of AED 18,465 thousand) on cash flow hedges through other comprehensive income.

The existing collars on 9.92 million shares or equivalent to 6.49% stake in Aercap are due to mature within 12 months from the end of the reporting period.

[2] Other derivative liabilities held by the Group represent interest rate swaps, total return swaps, credit default swaps, and currency futures, and have a notional value of AED 3,168,168 thousand (31 December 2016: AED 1,105,216 thousand).

Their maturity profiles are as follows:

	2017 Notional value AED '000	2017 Fair value AED '000	2016 Notional value AED '000	2016 Fair value AED '000
Due within 1 year	259,082	8,820	263,138	17,942
Due between 1 to 3 years	420,763	3,779	631,145	11,678
More than 3 years	2,488,323	1,522	210,933	141
	3,168,168	14,121	1,105,216	29,761

19 Trade and other liabilities

	2017 AED '000	2016 AED '000
Trade payables	169,222	92,267
Interest accrued on borrowings	78,893	62,649
Dividends payable	39,672	40,546
Long term employee incentive plans accrual (note 27)	23,981	11,793
Other payables and accruals	132,841	99,319
	444,609	306,574

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

20 Revenue from sale of goods and services

	2017 AED '000			2016 AED '000		
	Revenue	Cost of sale	Gross profit	Revenue	Cost of sale	Gross profit
Sales of goods and services	287,499	(208,555)	78,944	295,115	(179,793)	115,322
Rental income	30,835	(1,684)	29,151	31,945	(2,440)	29,505
Sale of inventory	38	(38)	–	52	(52)	–
	318,372	(210,277)	108,095	327,112	(182,285)	144,827

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

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

21 Income from financial investments

	2017 AED '000	2016 AED '000
Financial assets at FVTOCI		
Unquoted fund – dividend income	–	4,858
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 (loss)/gain from derivatives	(847)	22,389
Net gain from listed fixed income securities	138,186	104,822
Net gain from listed equity securities	192,911	140,945
Others [1]	150	81,301
	330,400	380,048

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

22 Other expenses, net

	2017 AED '000	2016 AED '000
Fair value loss on investment property (note 9)	58,361	40,548
Gain on disposal of investment property (note 9)	(1,394)	–
Reversal of provision against slow moving inventories	(38)	(52)
Others	(7,324)	(10,531)
	49,605	29,965

23 General and administrative expenses

	2017 AED '000			2016 AED '000		
	Company	Subsidiaries	Total	Company	Subsidiaries	Total
Staff costs	129,340	80,313	209,653	110,113	104,262	214,375
Legal and other professional expenses	6,851	13,719	20,570	11,239	15,981	27,220
Depreciation	1,628	10,912	12,540	1,576	7,733	9,309
Amortisation and write-off of intangible assets	6,285	10,950	17,235	1,290	11,122	12,412
Marketing expenses	6,580	30,402	36,982	7,182	54,316	61,498
Rental expenses	3,643	15,886	19,529	4,036	14,950	18,986
Social contributions	5,564	–	5,564	10,851	–	10,851
Provision for doubtful debts	–	15,914	15,914	–	3,162	3,162
Others	10,451	21,392	31,843	12,608	60,253	72,861
	170,342	199,488	369,830	158,895	271,779	430,674

24 Finance cost, net

	2017 AED '000	2016 AED '000
Interest on borrowings	136,813	134,487
Amortisation of loan arrangement costs	4,631	16,381
Interest income from loan investments at amortised cost	(9,858)	(10,948)
Interest earned on time deposits	(3,300)	(4,364)
Interest income from investments in finance leases	(1,145)	(1,371)
	127,141	134,185

25 Related parties

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

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

Significant balances and transactions with related parties

Loan investments provided to an associate amounted to AED 12,283 thousand as at 31 December 2017 (2016: AED 12,283 thousand). The loan does not bear any interest.

During the year, the Company's Directors have invested an amount of AED 920 thousand to acquire 0.49% interest into the Waha MENA Value Fund SP and an amount of AED 368 thousand to acquire 0.04% interest into the Waha MENA Equity Fund SP under a co-investment plan (2016: AED 11,034 thousand to acquire 2.43% interest into the Waha CEEMEA Fixed Income Fund SP).

In 2016, 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).

	2017 AED '000	2016 AED '000
Key management personnel compensation		
Short term benefits	6,942	7,522
End of service and other long term benefits	13,694	12,319
	20,636	19,841

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

26 Commitments

Capital commitments

As at 31 December 2017, the Group has capital commitments of AED 10,000 thousand (2016: AED 134,800 thousand) with respect to the development of Phase 2a of Al Markaz project and AED 4,344 thousand (2016: AED 12,635 thousand) with respect to 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:

	2017 AED '000	2016 AED '000
Due within 1 year	13,359	11,407
Due between 2 to 5 years	2,694	5,499
Due after 5 years	–	4,400
	16,053	21,306

The Group as lessor

Operating leases relate to the investment property owned by the Group with lease payments between 1 to 15 years (2016: 1 to 15 years).

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

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

	2017 AED '000	2016 AED '000
Within one year	28,504	35,703
Between 2 and 5 years	68,963	71,731
More than 5 years	2,276	31,092
	99,743	138,526

27 Employee compensation

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

Investment profit participation plans

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

- A trading plan, whereby the employees are granted points linked to the fund's performance which vests annually. An amount representing the value of vested points derived from the fund's net asset value is divided into a cash payment and cash deferral. The cash deferral is reinvested into the funds for a period of three years. The reinvested amount vests over the three year period and after completing the service condition a cash payment is made.
- A carried interest plan, whereby the employees are granted points linked to the 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.

27 Employee compensation continued

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

Share linked plan

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

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

	2017	2016
Opening balance:		
- Grant date 31 December 2015	2,016,774	2,016,774
- Grant date 1 January 2016	3,839,983	–
- Grant date 31 December 2016	1,086,493	–
Granted during the year:		
- Grant date 1 January 2017	3,230,718	3,839,983
- Grant date 31 December 2017	493,873	1,086,493
Closing balance	10,667,841	6,943,250

Investment profit participation and shared linked plans

The Group's Board of Directors has approved total grants under various incentive plans of AED 11,683 thousand for the current year (2016: AED 15,666 thousand).

The total plan expenses recognised under "staff costs" in respect to the grants is as follows:

	2017 AED '000	2016 AED '000
Awards expenses for performance year	4,383	5,709
Amortisation of prior year awards	7,805	2,764
Total expense	12,188	8,473

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

	2017 AED '000	2016 AED '000
Opening balance	11,793	3,320
Expensed during the year	12,188	8,473
Closing balance (note 19)	23,981	11,793

Programs for co-investment

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

28 Financial instruments

Overview

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

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

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

Risk management framework

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from 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.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk related to unsettled transactions is considered small due to the short settlement period involved and high credit quality of the brokers used.

(ii) Cash and cash equivalents

Cash is placed with commercial banks and financial institutions that have an investment-grade credit rating.

(iii) Loan investments

The Group limits its exposure to credit risk by investing in securities which are fully collaterised and with credit ratings which are within the limits prescribed by the Group's financial risk management guidelines.

(iv) Derivative assets

The Group limits its exposure to credit risk on derivative assets by dealing with financial institutions and commercial banks that have S&P credit ratings ranging between A and BBB+ as at the reporting date.

(v) Finance leases

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

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which provides appropriate liquidity risk management guidance to the management for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 17 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

28 Financial instruments continued

b) Liquidity risk continued

The maturity profile of the assets and liabilities as at 31 December 2017 and 2016 was as follows:

	31 December 2017					31 December 2016				
	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	–	–	–	82,534	82,534	–	–	–	70,316	70,316
Investment property	–	–	–	758,666	758,666	–	–	–	680,569	680,569
Goodwill and intangible assets	–	–	–	115,155	115,155	–	–	–	162,753	162,753
Investments in finance leases	7,692	2,238	–	–	9,930	6,999	4,389	–	–	11,388
Loan investments	–	232,963	–	–	232,963	–	12,283	220,680	–	232,963
Investments in equity-accounted associates and joint ventures	–	–	–	5,321,224	5,321,224	–	–	–	5,033,561	5,033,561
Financial investments	3,511,346	63,838	–	–	3,575,184	2,318,642	399,084	105,290	–	2,823,016
Inventories	8,900	–	–	–	8,900	10,619	–	–	–	10,619
Trade and other receivables	446,275	64,405	–	–	510,680	358,321	–	55,743	–	414,064
Cash and cash equivalents	519,626	–	–	–	519,626	571,262	–	–	–	571,262
Asset held for sale	219,480	–	–	–	219,480	–	–	–	–	–
Total assets	4,713,319	363,444	–	6,277,579	11,354,342	3,265,843	415,756	381,713	5,947,199	10,010,511
Liabilities & equity										
Borrowings	3,873,668	2,670,956	39,388	–	6,584,012	1,557,910	3,001,818	905,149	–	5,464,877
End of service benefit provision	–	–	–	32,608	32,608	–	–	–	29,268	29,268
Trade and other liabilities	380,204	64,405	–	–	444,609	250,831	–	55,743	–	306,574
Derivative liabilities	61,076	62,001	186	–	123,263	17,512	10,604	1,645	–	29,761
Total equity	–	–	–	4,169,850	4,169,850	–	–	–	4,180,031	4,180,031
Total liabilities and equity	4,314,948	2,797,362	39,574	4,202,458	11,354,342	1,826,253	3,012,422	962,537	4,209,299	10,010,511

c) Market risks

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

(i) Currency risk

The Group may be exposed to currency risk on financial investments that are denominated in a currency other than the respective functional currencies of Group entities. In respect of the Group's transactions and balances denominated in US$ and Saudi Riyal (SAR) , the Group is not exposed to the currency risk as the UAE Dirham (AED) and Saudi Riyal (SAR) are currently pegged to the US$. The Group's exposure to currencies other than AED, SAR or US$ is summarised in the table below:

Financial assets at fair value through profit or loss 2017

	2017 AED '000	2016 AED '000
Listed fixed income securities		
Great British Pound	25,657	97,338
Euro	139,841	100,994
Reverse repurchase contracts		
Euro	29,217	4,516
Listed equity securities		
Kuwaiti Dinar	68,788	54,566
Great British Pound	142,100	24,453
Others	91,405	119,951
	497,008	401,818

The Group uses currency futures to hedge its currency risk. Had the respective exchange rates in foreign currency of the assets listed above been 10% higher or lower as at 31 December 2017, the fair value on the profit or loss, as well as the respective investment carrying amounts would have been higher or lower by AED 49,701 thousand (2016: AED 40,182 thousand). However, this exposure is hedged using currency futures (note 13).

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk on its investment in listed fixed income securities carried at fair value through profit or loss, and cash flow interest rate risk on its floating rate non-derivative borrowings. The sensitivities of these financial instruments to changes in interest rates are as follows:

Fair value interest rate risk

- The Group had listed fixed income securities fair valued at AED 2,072,245 thousand at the end of the reporting period (2016: AED 1,563,664 thousand), for which the Group uses a range of DV01 (the dollar value of a basis point) for different time intervals as a key measure of interest rate risk. An absolute measure derived from duration, it indicates the change in price or fair value, expressed in monetary units, caused by a one basis point (0.01%) change in the yield curve. The DV01 for the Group's listed fixed income securities was AED 562 thousand at the end of the reporting period (2016: AED 389 thousand).

Cash flow interest rate risk

- The Group had floating rate non-derivative borrowings of AED 2,673,295 thousand at the end of the reporting period (2016: AED 1,612,486 thousand). Had the relevant interest rates been higher/lower by 50 basis points, the Group's finance cost would have been higher/lower, therefore the profit for the year would have been lower/higher by AED 23,423 thousand (2016: AED 19,588 thousand).

In the normal course of business, the Group enters into interest rate swaps, where appropriate, to hedge against the net interest rate exposure of the Group's investments in listed fixed income securities and the corresponding borrowings through repurchase agreements, except where the interest rate exposure is deemed to be immaterial or acceptable in relation to the cost of entering into a hedge. At the end of the reporting period, the net carrying amount of the interest rate swaps was immaterial.

(iii) Equity and fixed income price risk

Equity and fixed income price risk arises from investments in equity and fixed income securities. Management of the Group monitors the mix of securities in its investment portfolio based on respective benchmark market indices to reduce the exposure on account of share prices (refer to note 28 (e) for sensitivity analysis).

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

28 Financial instruments continued

c) Market risks continued

Operational risks continued

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and reserves. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders in order to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's leverage ratio reported to the Group's lenders of the Revolving Corporate facility ("RCF") as at 31 December 2017 is presented below. The Group was in compliance of the requirement of this ratio to be a maximum of 0.65 times.

	2017 AED '000	2016 AED '000
Issued share capital	1,944,515	1,944,515
Retained earnings and Reserves	1,702,950	2,193,666
Less: proposed dividends	(275,776)	(367,702)
Net worth (as defined under the RCF agreement)	3,371,689	3,770,479
Debt (defined as "Borrowings" under the RCF agreement)	1,177,661	333,510
Debt/Debt and Net Worth	0.26	0.08

e) Fair values

a Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities by valuation technique:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable for the asset or liability.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. As at 31 December, the Group held the following financial assets and liabilities at fair value:

	2017 AED '000	2016 AED '000	Fair value hierarchy	Valuation technique	Sensitivity Analysis
Financial assets at fair value through profit or loss					
a. Listed equity securities	1,254,437	632,223	Level 1	Quoted bid prices in an active market	± 5% change in quoted bid prices, impacts fair value by AED 62,722 thousand
b. Other investment in equity securities	6,237	5,636	Level 3	Valuation is based on Net Asset Values (NAV)	± 5% change in NAV, impacts fair value by AED 312 thousand
c. Listed fixed income securities	2,072,245	1,563,664	Level 1	Quoted bid prices in an active market	± 5% change in quoted bid prices, impacts fair value by AED 103,612 thousand respectively
d. Reverse repurchase contracts	130,305	60,524	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 6,515 thousand respectively
e. Derivative assets	48,122	56,595	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 2,406 thousand respectively
Financial assets at fair value through other comprehensive income					
a. Unquoted fund	63,838	70,912	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 3,192 thousand
Derivatives designated and effective as hedging instruments carried at fair value					
a. Equity price collar	(109,142)	433,462	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 (287,558)/205,532 thousand change in fair value respectively
Financial liabilities at fair value through profit or loss					
a. Derivative liabilities	(14,121)	(29,761)	Level 2	The valuation is based on broker quotes	± 5% change in broker quotes impacts fair value by AED 706 thousand respectively

28 Financial instruments continued

e) Fair values continued

a Fair value hierarchy continued

	2017 AED '000				2016 AED '000			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Financial assets at FVTPL								
Investment in equity securities	1,254,437	1,254,437	–	–	632,223	632,223	–	–
Other investment in equity securities	6,237	–	–	6,237	5,636	–	–	5,636
Investment in fixed income securities	2,072,245	2,072,245	–	–	1,563,664	1,563,664	–	–
Derivative assets	48,122	–	48,122	–	56,595	–	56,595	–
Reverse repurchase contracts	130,305	–	130,305	–	60,524	–	60,524	–
Financial assets at FVTOCI								
Unquoted fund	63,838	–	–	63,838	70,912	–	–	70,912
Derivatives designated and effective as hedging instruments carried at fair value								
Equity price collar	–	–	–	–	433,462	–	433,462	–
Total	3,575,184	3,326,682	178,427	70,075	2,823,016	2,195,887	550,581	76,548
Financial liabilities								
Financial liabilities at FVTPL								
Derivative liabilities	(14,121)	–	(14,121)	–	(29,761)	–	(29,761)	–
Derivatives designated and effective as hedging instruments carried at fair value								
Equity price collar	(109,142)	–	(109,142)	–	–	–	–	–
Total	(123,263)	–	(123,263)	–	(29,761)	–	(29,761)	–

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

Reconciliation of Level 3 fair value movements

	2017 AED '000	2016 AED '000
At 1 January	76,548	147,656
Capital reduction	–	(76,983)
Increase in fair value through profit or loss	601	260
Total (loss)/gain in other comprehensive income	(7,074)	5,615
	70,075	76,548

b Fair values of financial assets and liabilities measured at amortised cost

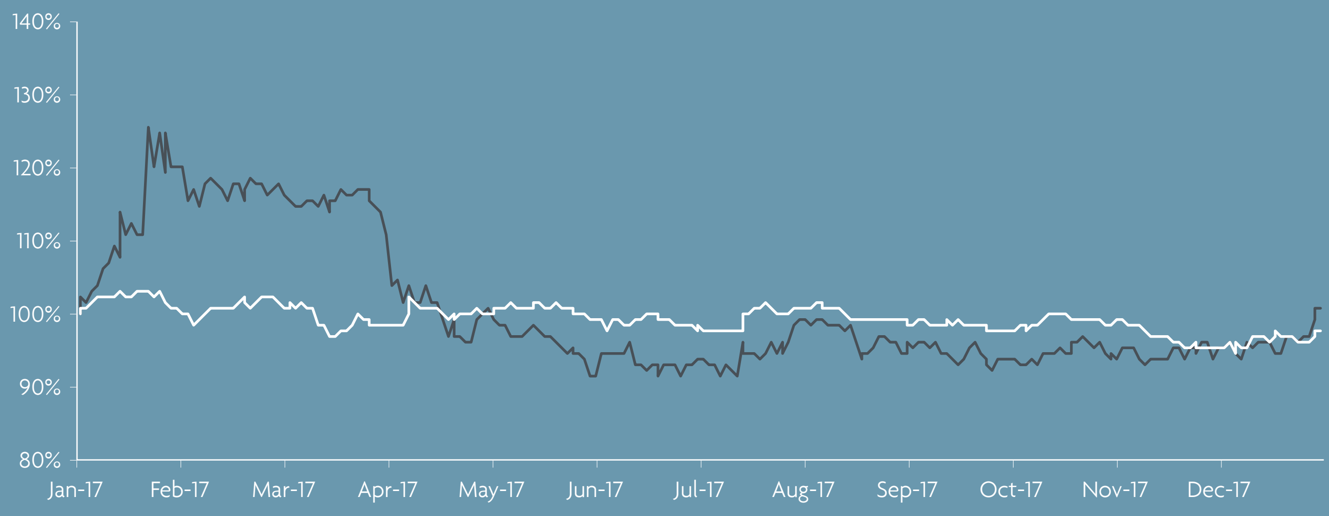
The fair values of financial assets and liabilities approximate their carrying amounts.

29 Subsequent events

Subsequent to the year end, the existing collars on 3.97 million shares equivalent to 2.60% stake in Aercap matured and corresponding borrowing against collared assets of AED 542,429 thousand has been settled.

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
H.E. Fahad Saeed Al Raqbani
Mr. Mansour Mohamed Al Mulla
Mr. Salem Rashid Al Noaimi

CEO and Managing Director
Mr. Salem Rashid Al Noaimi

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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

2017 Annual Report and Accounts: www.wahacapital.ae/investor-relations/financial-reports

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