

الواحة كابيتال
WAHA CAPITAL

Q2 2019 REPORT

Report and condensed consolidated
financial information for the period
ended 30 June 2019

TABLE OF CONTENTS

01

Report on review of
interim financial
information

02

Condensed consolidated
statement of financial
position

03

Condensed consolidated
statement of profit or
loss

04

Condensed consolidated
statement of profit or
loss and other
comprehensive income

05

Condensed consolidated
statement of changes in
equity

06

Condensed consolidated
statement of cash flows

07

Notes to the condensed
consolidated financial
statements

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF AL WAHA CAPITAL PJSC**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Al Waha Capital PJSC (“the Company”) and its subsidiaries (together referred to as “the Group”) as at 30 June 2019 and the related condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three and six month periods then ended and the condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 February 2019.

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2018 were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 12 August 2018.



Signed by
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

8 August 2019
Abu Dhabi

Condensed consolidated statement of financial position

	Note	As at 30 June 2019 (Unaudited) AED '000	As at 31 December 2018 (Audited) AED '000
ASSETS			
Furniture and equipment		64,181	72,695
Right-of-use assets	3	136,501	-
Investment property	6	760,468	753,566
Goodwill and intangible assets		103,533	107,719
Investments in finance leases		-	2,903
Loan investments		232,963	232,963
Investments in equity-accounted associates and joint ventures	7	3,008,179	4,200,967
Financial investments	8	5,782,164	5,418,628
Inventories		11,987	9,728
Trade and other receivables	9	554,888	443,270
Cash and cash equivalents		847,208	428,970
Total assets		11,502,072	11,671,409
EQUITY AND LIABILITIES			
Equity			
Share capital		1,944,515	1,944,515
Treasury shares		(267,184)	(267,184)
Retained earnings		1,085,543	1,407,829
Reserves		303,278	494,002
Equity attributable to the Owners of the Company		3,066,152	3,579,162
Non-controlling interests		1,173,983	970,768
Total equity		4,240,135	4,549,930
Liabilities			
Borrowings	11	6,308,892	6,463,768
End of service benefit provision		34,307	33,969
Derivative liabilities	12	76,450	36,304
Lease liabilities	3	138,766	-
Trade and other liabilities	13	703,522	587,438
Total liabilities		7,261,937	7,121,479
Total equity and liabilities		11,502,072	11,671,409

These condensed consolidated financial statements were authorised for issue by the Board of Directors on 08 August 2019 and signed on their behalf by:



Director



Managing Director



Chief Financial Officer

Condensed consolidated statement of profit or loss

	Note	Six month period ended 30 June 2019 (Unaudited) AED '000	Six month period ended 30 June 2018 (Unaudited) AED '000	Three month period ended 30 June 2019 (Unaudited) AED '000	Three month period ended 30 June 2018 (Unaudited) AED '000
Revenue from sale of goods and services	14	166,732	144,203	81,468	72,192
Cost of sale of goods and services	14	(121,554)	(109,565)	(59,242)	(56,522)
Gross profit		45,178	34,638	22,226	15,670
Share of profit from equity-accounted associates and joint ventures, <i>net</i>	7	178,888	281,135	99,032	141,063
Impairment of equity-accounted associates and joint ventures	7	(209,365)	(143,745)	(109,329)	(81,941)
(Loss) / gain on disposal of equity-accounted associates and joint ventures	7	(153,605)	25,027	(58,640)	-
Gain on disposal of asset classified as held for sale	5	-	92,098	-	92,098
Income from financial investments	15	267,236	199,535	47,203	75,048
Other income, <i>net</i>		683	14,334	945	496
General and administrative expenses	16	(107,177)	(131,330)	(36,650)	(62,064)
Finance cost, <i>net</i>	17	(99,408)	(73,424)	(49,503)	(38,559)
(Loss) / profit for the period		(77,570)	298,268	(84,716)	141,811
(Loss) / profit for the period attributable to:					
Owners of the Company		(182,231)	239,728	(124,389)	132,377
Non-controlling interests		104,661	58,540	39,673	9,434
(Loss) / profit for the period		(77,570)	298,268	(84,716)	141,811
Basic and diluted (loss) / earnings per share attributable to the Owners of the Company during the period (AED)	10	(0.10)	0.13	(0.07)	0.07

The notes numbered 1 to 19 are an integral part of these condensed consolidated financial statements

Condensed consolidated statement of profit or loss and other comprehensive income

	Six month period ended 30 June 2019 (Unaudited) AED '000	Six month period ended 30 June 2018 (Unaudited) AED '000	Three month period ended 30 June 2019 (Unaudited) AED '000	Three month period ended 30 June 2018 (Unaudited) AED '000
(Loss) / profit for the period	(77,570)	298,268	(84,716)	141,811
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 (note 8)	(238,379)	53,560	(48,615)	(48,798)
Hedge reserve reclassification for amounts recognised in profit or loss (note 15)	84,337	49,152	44,910	-
Share of change in other reserves of equity-accounted associates and joint ventures (note 7)	(41,015)	22,508	(15,193)	13,224
Release of share of other reserves of asset classified as held for sale	-	(976)	-	(976)
Release of share of other reserves of equity-accounted associates and joint ventures upon disposal	4,333	(1,217)	3,776	-
	(190,724)	123,027	(15,122)	(36,550)
Total comprehensive (loss) / income for the period	(268,294)	421,295	(99,838)	105,261
Total comprehensive (loss) / income attributable to:				
Owners of the Company	(372,955)	362,755	(139,511)	95,827
Non-controlling interests	104,661	58,540	39,673	9,434
Total comprehensive (loss) / income for the period	(268,294)	421,295	(99,838)	105,261

Condensed consolidated statement of changes in equity

For the six month period ended 30 June

	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 2018 (as reported)	1,944,515	(267,184)	1,725,713	472,491	4,337	(500,557)	966	(22,763)	3,380,281	789,569	4,169,850
Impact of adoption of new accounting standards	-	-	(100,666)	-	(4,337)	-	-	(4,337)	(105,003)	(3,818)	(108,821)
At 1 January 2018 (restated)	1,944,515	(267,184)	1,625,047	472,491	-	(500,557)	966	(27,100)	3,275,278	785,751	4,061,029
Profit for the period	-	-	239,728	-	-	-	-	-	239,728	58,540	298,268
Other comprehensive income	-	-	-	-	-	102,712	20,315	123,027	123,027	-	123,027
Total comprehensive income	-	-	239,728	-	-	102,712	20,315	123,027	362,755	58,540	421,295
Cash dividend (note 10)	-	-	(321,739)	-	-	-	-	-	(321,739)	-	(321,739)
Acquisition of non-controlling interests	-	-	(2,063)	-	-	-	-	-	(2,063)	(15,451)	(17,514)
Contributions from non-controlling interest, net	-	-	-	-	-	-	-	-	-	177,720	177,720
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,693)	(8,693)
At 30 June 2018 (Unaudited) (Restated)	1,944,515	(267,184)	1,540,973	472,491	-	(397,845)	21,281	95,927	3,314,231	997,867	4,312,098
At 1 January 2019	1,944,515	(267,184)	1,407,829	486,991	-	(15,866)	22,877	494,002	3,579,162	970,768	4,549,930
(Loss) / profit for the period	-	-	(182,231)	-	-	-	-	-	(182,231)	104,661	(77,570)
Other comprehensive loss	-	-	-	-	-	(154,042)	(36,682)	(190,724)	(190,724)	-	(190,724)
Total comprehensive (loss) / profit	-	-	(182,231)	-	-	(154,042)	(36,682)	(190,724)	(372,955)	104,661	(268,294)
Cash dividend (note 10)	-	-	(137,888)	-	-	-	-	-	(137,888)	-	(137,888)
Acquisition of non-controlling interests, net	-	-	(2,167)	-	-	-	-	-	(2,167)	(235)	(2,402)
Contributions from non-controlling interest, net (note 5)	-	-	-	-	-	-	-	-	-	98,789	98,789
At 30 June 2019 (Unaudited)	1,944,515	(267,184)	1,085,543	486,991	-	(169,908)	(13,805)	303,278	3,066,152	1,173,983	4,240,135

The notes numbered 1 to 19 are an integral part of these condensed consolidated financial statements

Condensed consolidated statement of cash flows

For the six month period ended 30 June

	Note	2019 (Unaudited) AED '000	2018 (Unaudited) AED '000
Cash flows from operating activities			
(Loss) / profit for the period		(77,570)	298,268
Adjustments for:			
Depreciation on furniture and equipment		10,037	9,419
Depreciation on right-of-use assets		9,923	-
Finance cost, <i>net</i>	17	99,408	73,424
Charge for employees' end of service benefits		3,959	3,767
Gain on valuation of financial assets at fair value through profit or loss		(357,502)	(246,677)
Loss on reclassification of hedge reserve on maturity	15	84,337	49,152
Share of profit from equity-accounted associates and joint ventures, <i>net</i>	7	(178,888)	(281,135)
Impairment of equity-accounted associates and joint ventures	7	209,365	143,745
Loss / (gain) on disposal of equity-accounted associates and joint ventures	7	153,605	(25,027)
Dividend from equity-accounted associates and joint ventures	7	5,858	13,710
Gain on disposal of asset classified as held for sale		-	(92,098)
Amortisation and write off of intangible assets		4,339	4,595
Reversal of provision against slow moving inventories		-	(52)
Provision for expected credit losses		4,152	1,203
Investment in equity-accounted associates and joint ventures		(87,500)	(1,538)
Investments in financial assets at FVTPL, <i>net</i>		(204,266)	(637,554)
Loans obtained for financial assets at FVTPL		349,593	549,471
Finance cost paid on loans obtained against financial assets at FVTPL		(33,156)	(19,113)
Interest paid on lease liabilities		(5,712)	-
Proceeds on disposal of associates and joint ventures, <i>net</i>		1,017,015	721,289
Proceeds on disposal of asset classified as held for sale		-	245,518
Changes in working capital:			
Change in inventories		(2,259)	681
Change in trade and other receivables		(131,260)	(36,777)
Change in trade and other liabilities		170,692	(92,629)
Net cash generated from operations		1,044,170	681,642
Employees' end of service benefits paid		(3,621)	(2,731)
Net cash generated from operating activities		1,040,549	678,911
Cash flows from investing activities			
Payments made for development of investment property		(6,902)	(7,703)
Purchase of furniture and equipment, <i>net</i>		(1,523)	(5,342)
Purchase of intangible assets, <i>net</i>		(153)	(1,548)
Proceeds from finance leases		2,970	6,848
Wakala deposit redeemed		-	25,000
Interest received		483	2,915
Net cash (used in) / generated from investing activities		(5,125)	20,170
Cash flows from financing activities			
Finance cost paid on borrowings		(47,321)	(35,461)
Principal paid on lease liabilities		(4,837)	-
Loans repaid	11	(888,326)	(686,305)
Loans obtained	11	364,799	262,521
Dividends paid	10	(137,888)	(321,739)
Contributions from non-controlling interest holders, <i>net</i>		98,789	177,720
Acquisition of non-controlling interests		(2,402)	(10,981)
Distributions paid to non-controlling interest holders		-	(8,693)
Net cash used in financing activities		(617,186)	(622,938)
Net increase in cash and cash equivalents		418,238	76,143
Cash and cash equivalents at 1 January		428,970	519,626
Cash and cash equivalents at 30 June		847,208	595,769

The notes numbered 1 to 19 are an integral part of these condensed consolidated financial statements

Notes to the condensed consolidated financial statements

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 condensed consolidated financial statements for the six month period ended 30 June 2019 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, industrial real estate, infrastructure, healthcare, oil and gas, fintech and maritime services.

The Group's consolidated financial statements for the year ended 31 December 2018 are available on its website www.wahacapital.ae and also upon request at the Company's registered office at P.O. Box 28922, Etihad Towers, 42nd floor, Tower 3, Abu Dhabi, UAE.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018. Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the condensed consolidated financial statements.

3 Significant accounting policies

The significant accounting policies, risk management principles, methods of computation and estimates applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the preparation of the consolidated financial statements as at and for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and revised IFRSs effective in 2019

The Group has applied, for the first time, several new standards and amendments in 2019, as stated below:

- IFRS 16 *Leases*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23
- Amendment to IFRS 9 *Financial Instruments* regarding prepayment features with negative compensation
- IFRIC 23 *Uncertainty over income tax treatments*
- 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
- Amendments to IAS 19 *Employee Benefits* Plan Amendment, Curtailment or Settlement

The adoption of these standards have no material impact on the condensed consolidated financial statements of the Group, except for the adoption IFRS 16 *Leases*, the nature and effect of the changes are disclosed below.

IFRS 16 *Leases*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to apply the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2019 (continued)

IFRS 16 Leases (continued)

The Group has various lease contracts, where prior to the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. The leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'Accounts receivable and prepayments' and 'Accounts payable and accruals' respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2019 (continued)

IFRS 16 Leases (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	AED `000
Assets	
Right-of-use assets	200,546
Prepayments	(2,821)
	197,725
Liabilities	
Lease liabilities	197,725

Operating lease commitments can be reconciled to lease liabilities as at 1 January 2019 as follows:

	AED `000
Operating lease commitments as at 31 December 2018	422,340
Incremental borrowing rate as at 1 January 2019	5.00% - 7.02%
Discounted operating lease commitments as at 1 January 2019	198,295
Adjustment of commitments relating to leases of low value assets	(570)
Lease liabilities as at 1 January 2019	197,725

The movement in the Group's right-of-use assets and lease liabilities during the period is as follows:

	Right-of- use assets AED `000	Lease liabilities AED`000
As at 1 January 2019	200,546	197,725
Depreciation expense	(9,923)	-
Interest expense	-	5,712
Payments	-	(10,549)
New leases	5,277	5,277
Reassessment of lease terms ¹	(59,399)	(59,399)
As at 30 June 2019	136,501	138,766

¹ During the period, management undertook a comprehensive assessment of their healthcare assets leases. Based on this assessment, management reduced the lease terms of their various leases on account of more favorable leases available in the market.

Notes to the condensed consolidated financial statements (continued)

4 Fair values

a Fair value hierarchy

The Group uses the following hierarchy for determining 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.

	30 June 2019 (Unaudited) AED `000				31 December 2018 (Audited) AED `000			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Financial assets at FVTPL								
Listed equity securities	1,304,308	1,304,308	-	-	1,465,909	1,465,909	-	-
Other investment in equity securities	4,926	-	-	4,926	6,409	-	-	6,409
Investment in listed fixed income securities	3,777,548	3,777,548	-	-	3,274,064	3,274,064	-	-
Derivative assets	37,584	-	37,584	-	43,773	-	43,773	-
Money market funds	342,054	342,054	-	-	3,676	3,676	-	-
Options	166,585	-	-	166,585	213,200	-	-	213,200
Reverse repurchase contracts	83,367	-	83,367	-	105,486	-	105,486	-
Unquoted fund	50,047	-	-	50,047	51,987	-	-	51,987
Derivatives designated and effective as hedging instruments carried at fair value								
Equity price collar	15,745	-	15,745	-	254,124	-	254,124	-
Total	5,782,164	5,423,910	136,696	221,558	5,418,628	4,743,649	403,383	271,596
Financial liabilities								
Financial liabilities at FVTPL								
Derivative liabilities	(76,450)	-	(76,450)	-	(36,304)	-	(36,304)	-
Total	(76,450)	-	(76,450)	-	(36,304)	-	(36,304)	-

There has been no transfers between Level 1 and Level 2 during the period.

Notes to the condensed consolidated financial statements (continued)

4 Fair values (continued)

a Fair value hierarchy (continued)

As at the end of the reporting period, the Group held the following financial assets and liabilities at fair value:

	30 June 2019 (Unaudited) AED '000	31 December 2018 (Audited) AED '000	Fair value hierarchy	Valuation technique
Financial assets at fair value through profit or loss				
a Listed equity securities	1,304,308	1,465,909	Level 1	Quoted bid prices in an active market.
b Other investment in equity securities	4,926	6,409	Level 3	Valuation is based on Net Asset Values (NAV).
c Investment in listed fixed income securities	3,777,548	3,274,064	Level 1	Quoted bid prices in an active market.
d Reverse repurchase contracts	83,367	105,486	Level 2	The valuation is based on broker quotes.
e Derivative assets	37,584	43,773	Level 2	The valuation is based on broker quotes.
f Money market funds	342,054	3,676	Level 1	Valuation is based on quoted market prices in an active market, which represent the Net Assets Value (NAV) of shares held.
g Options	166,585	213,200	Level 3	Black-Scholes model with company-specific data for projected EBITDA along with market observable inputs, mainly market volatilities, valuation multiples of comparable peers.
h Unquoted fund	50,047	51,987	Level 3	Valuation is based on Net Asset Values (NAV) of the fund calculated by the fund manager.
Derivatives designated and effective as hedging instruments carried at fair value				
a Equity price collar	15,745	254,124	Level 2	Black-Scholes model with market observable inputs, mainly share price and market volatilities of the underlying shares.
Financial liabilities at fair value through profit or loss				
a Derivative liabilities	(76,450)	(36,304)	Level 2	The valuation is based on broker quotes.

Notes to the condensed consolidated financial statements (continued)

4 Fair values (continued)

a Fair value hierarchy (continued)

Reconciliation of level 3 fair value movements

	Six month period ended 30 June 2019 (Unaudited) AED '000	Year ended 31 December 2018 (Audited) AED '000
At 1 January	271,596	70,075
Additions during the period / year	-	123,849
(Decrease) / increase in fair value through profit or loss	(50,038)	77,672
	221,558	271,596

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

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

5 Non-controlling interests

During the period, the Group redeemed AED 25,746 thousand from Waha MENA Equity Fund SP (30 June 2018: the Group invested an amount of AED 66,204 thousand) and non-controlling interest holders invested a net amount of AED 38,500 thousand (30 June 2018: AED 130,223 thousand), resulting in a decrease in the Group's ownership from 51.99% to 50.39%; the Group redeemed AED 18,390 thousand from Waha CEEMEA Credit Fund SP (30 June 2018: the Group invested AED 44,136 thousand) and non-controlling interest holders invested a net amount of AED 60,357 thousand (30 June 2018: AED 39,717 thousand), resulting in a decrease in the Group's ownership from 66.02% to 62.30%; the Group invested AED 44,136 thousand into Waha MENA Value Fund SP (30 June 2018: AED nil), and non-controlling interest holders redeemed AED 195 thousand (30 June 2018: AED 1,047 thousand), resulting in an increase in the Group's ownership from 99.78% to 99.88%.

6 Investment property

The movement of investment property is presented below:

	Six month period ended 30 June 2019 (Unaudited) AED '000	Year ended 31 December 2018 (Audited) AED '000
At 1 January	753,566	758,666
Additions	6,902	35,692
Fair value loss	-	(40,792)
	760,468	753,566

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 30 June 2019 has been determined by management by reference to the valuation carried out on 31 December 2018, performed by accredited independent appraisers. In estimating the fair value, the current use of the property was deemed to be its highest and best use.

Notes to the condensed consolidated financial statements (continued)

7 Investments in equity-accounted associates and joint ventures

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

	Six month period ended 30 June 2019 (Unaudited) AED `000	Year ended 31 December 2018 (Audited) AED `000
As at 1 January (as reported)	4,200,967	5,321,224
Impact of adoption of new accounting standards	-	(97,881)
As at 1 January (restated)	4,200,967	5,223,343
Additions ¹	105,798	412,128
Disposals ²	(1,166,287)	(1,869,544)
Share of profit, net	178,888	540,401
Impairment loss ³	(209,365)	(294,695)
Reclassified from financial investments	-	188,773
Share of equity reserves	(41,015)	26,292
Distributions received	(5,858)	(25,731)
Other adjustment ⁴	(54,949)	-
	3,008,179	4,200,967

¹ During the period, National Energy Services Reunited Corp ("NESR") issued additional shares to the Group amounting AED 17,340 thousand upon meeting certain earn-out criteria. Consequent to issuance of earn-out shares, the Group's ownership increased from 5.8% to 6.3%.

During the period, the Group injected AED 87,500 thousand in Dunia Finance.

² During the period, the Group disposed 6.0 million shares equivalent to 4.2% stake in its equity accounted associate investment in Aercap Holdings N.V. ("Aercap") for a consideration of AED 1,017,015 thousand, resulting in the recognition of loss on disposal of AED 153,605 thousand in the consolidated statement of profit or loss. Consequently, the Group's stake in Aercap reduced from 12.0% to 7.8%.

During the period, Aercap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 7.8% to 8.1%. 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 8.1% equity ownership. Accordingly, the Group's investment in Aercap continues to be classified as an equity-accounted associate.

³ The investment in Aercap 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 the Group's cost of capital.

⁴ Other adjustment relates to the reduction of AED 54,949 thousand of the cost of investment in Petronash Global Limited ("Petronash") against deferred contingent consideration which was dependent on achievement of certain performance criteria in the subscription agreement.

Investment in equity-accounted associates and joint ventures domiciled outside the UAE amount to AED 2,372,972 thousand (31 December 2018: AED 3,550,186 thousand).

The Group's investments with a carrying amount of AED 2,157,598 thousand (31 December 2018: AED 3,358,992 thousand) are collateralised against the Group's borrowings (note 11).

Notes to the condensed consolidated financial statements (continued)

8 Financial investments

	30 June 2019 (Unaudited) AED '000	31 December 2018 (Audited) AED '000
Financial assets at fair value through other comprehensive income		
Equity price collar ¹	15,745	254,124
Financial assets at fair value through profit or loss		
Unquoted fund	50,047	51,987
Options ²	166,585	213,200
Derivative assets ³	37,584	43,773
Reverse repurchase contracts, net ⁴	83,367	105,486
Listed fixed income securities ⁵	3,777,548	3,274,064
Listed equity securities ⁶	1,304,308	1,465,909
Money market funds ⁷	342,054	3,676
Other investments	4,926	6,409
	5,782,164	5,418,628

¹The Group carries equity price collars on 10.92 million shares in AerCap (out of its total holding of 11.2 million shares), at floor and cap prices in the range of US\$ 39.38 and US\$ 65.64 – 70.02 per share respectively. The equity price collars have been designated as cash flow hedging instruments, hedging the cash proceeds on a highly probable future sale of the shares, and accounted for as at fair value through other comprehensive income. During the period, the Group recognised a fair value loss of AED 238,379 thousand (30 June 2018: gain of AED 53,560) on cash flow hedges through other comprehensive income.

²Further to the acquisition of Petronash, the Group also acquired additional rights in the form of options and warrants (the Options), pursuant to which the Group can increase its ownership up to 50% effective from 10 October 2018. Upon initial recognition, the fair value of the Options was deferred as unearned income and is recycled into profit and loss account over the life of the Options. Subsequently, the changes in the fair value on the re-measurement are recognised in the statement of profit and loss account.

³Derivative assets held by the Group include interest rate swaps, total return swaps, credit default swaps and currency futures.

⁴Reverse repurchase contracts are shorted simultaneously. The carrying amounts presented are net of reverse repurchase receivables of AED 1,864,534 thousand and corresponding liabilities of AED 1,781,167 thousand (31 December 2018: reverse repurchase receivables of AED 2,458,347 thousand and corresponding liabilities of AED 2,352,861 thousand). The repurchase agreements are subject to a master netting agreement.

⁵Listed fixed income securities totalling AED 3,613,445 thousand (31 December 2018: AED 3,119,853 thousand) are pledged as security against the Group's borrowings under repurchase agreements.

⁶Included in the listed equity securities is a 19.50% associate investment in SDX Energy Inc. carried at AED 37,707 thousand (31 December 2018: AED 66,333 thousand), as part of the Group's venture capital activities and measured at FVTPL.

⁷Money market funds relate to investments in open-ended funds.

Notes to the condensed consolidated financial statements (continued)

9 Trade and other receivables

	30 June 2019 (Unaudited) AED '000	31 December 2018 (Audited) AED '000
Trade receivables	338,864	111,453
Allowance for expected credit losses	(38,602)	(36,391)
	300,262	75,062
Prepayments and advances	12,946	16,845
Accrued interest	133,793	120,172
Amounts set aside for prior years dividends	38,965	36,385
Deposits under lien	1,017	36,017
Margin accounts	43,195	94,132
Other receivables	24,710	64,657
	554,888	443,270

10 Share capital and dividend

On 24 March 2019, the Company held its Annual General Meeting which, among other things, approved a cash dividend amounting to AED 137,888 thousand representing AED 0.075 per share (25 March 2018: cash dividend of AED 321,739 thousand representing AED 0.175 per share).

The basic and diluted earnings per share for the current period ended 30 June 2019 has been calculated using the weighted average number of shares outstanding during the period after considering the effect of treasury shares.

	Six month period ended 30 June 2019 (Unaudited)	Six month period ended 30 June 2018 (Unaudited)	Three month period ended 30 June 2019 (Unaudited)	Three month period ended 30 June 2018 (Unaudited)
(Loss) /profit for the period attributable to Owners of the Company (AED '000)	(182,231)	239,728	(124,389)	132,377
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,838,508,714	1,838,508,714	1,838,508,714	1,838,508,714

11 Borrowings

The movement in borrowings is presented below:

	Six month period ended 30 June 2019 (Unaudited) AED '000	Year ended 31 December 2018 (Audited) AED '000
At 1 January	6,463,768	6,584,012
Loans drawn-down	714,392	1,552,513
Loan arrangement and prepaid interest costs, net of amortisations	19,058	51,976
Loans repaid	(888,326)	(1,724,733)
	6,308,892	6,463,768

The investments and assets pledged to lenders as security against various facilities are the Group's interests in equity accounted investees (refer to note 7), the Group's shareholding in Al Waha Land LLC and investment in fixed income securities (refer to note 8).

Notes to the condensed consolidated financial statements (continued)

11 Borrowings (continued)

During the period, an amount of AED 331,019 thousand was drawn-down from the Group's existing AED 1,839,000 thousand (US\$ 500 million) secured revolving loan facility, and AED 13,205 thousand was drawn-down from the AED 426,000 thousand secured Murabaha-Ijara based financing for further development of its industrial real estate project.

During the period, the Group's repurchase liabilities against its investment in fixed income securities increased by AED 349,593 thousand.

Loans repaid during the current period include settlement of funding against collared assets amounting to AED 869,126 thousand, upon maturity of the corresponding equity price collars on 6.0 million shares of Aercap.

12 Derivative liabilities

	30 June 2019 (Unaudited) AED '000	31 December 2018 (Audited) AED '000
Financial liabilities at fair value through profit or loss		
Other derivative liabilities ¹	76,450	36,304
	76,450	36,304

¹ Other derivative liabilities held by the Group represent interest rate swaps, total return swaps, credit default swaps, and currency futures.

13 Trade and other liabilities

	30 June 2019 (Unaudited) AED '000	31 December 2018 (Audited) AED '000
Trade payables	282,774	59,556
Interest accrued on borrowings	115,502	99,611
Dividends payable	38,567	39,098
Long term employee incentive plans accrual	21,178	27,408
Deferred income	88,193	123,849
Other payables and accruals	157,308	237,916
	703,522	587,438

14 Revenue from sale of goods and services

	Six month period ended 30 June 2019 (Unaudited) AED'000			Three month period ended 30 June 2019 (Unaudited) AED'000		
	Revenue	Cost of sale	Gross profit	Revenue	Cost of sale	Gross profit
Sales of goods and services	153,616	(120,144)	33,472	74,687	(58,513)	16,174
Rental income	13,116	(1,410)	11,706	6,781	(729)	6,052
	166,732	(121,554)	45,178	81,468	(59,242)	22,226
	Six month period ended 30 June 2018 (Unaudited) AED'000			Three month period ended 30 June 2018 (Unaudited) AED'000		
	Revenue	Cost of sale	Gross profit	Revenue	Cost of sale	Gross profit
Sales of goods and services	129,440	(106,597)	22,843	64,734	(55,957)	8,777
Rental income	14,763	(2,968)	11,795	7,458	(565)	6,893
	144,203	(109,565)	34,638	72,192	(56,522)	15,670

Revenue and cost of sales of goods and services are mainly attributable to the healthcare operations. Rental income and direct cost of sales relate to the Group's investment property.

Notes to the condensed consolidated financial statements (continued)

15 Income from financial investments

	Six month period ended 30 June 2019 (Unaudited) AED '000	Six month period ended 30 June 2018 (Unaudited) AED '000	Three month period ended 30 June 2019 (Unaudited) AED '000	Three month period ended 30 June 2018 (Unaudited) AED '000
Derivatives designated and effective as hedging instruments carried at fair value				
Equity price collar – Reclassification of hedge reserve on maturity (note 8)	(84,337)	(49,152)	(44,910)	-
Financial assets at fair value through profit or loss				
Net (loss) / profit from unquoted fund	(1,940)	(2,034)	371	(2,034)
Net (loss) / gain from derivatives	(52,432)	57,705	(55,575)	31,684
Net gain / (loss) from listed fixed income securities	195,437	19,340	85,141	(6,673)
Net gain from listed equity securities	211,993	159,699	63,377	48,760
Others	(1,485)	13,977	(1,201)	3,311
	267,236	199,535	47,203	75,048

16 General and administrative expenses

	Six month period ended 30 June 2019 (Unaudited) AED '000			Three month period ended 30 June 2019 (Unaudited) AED '000		
	Company	Subsidiaries	Total	Company	Subsidiaries	Total
Staff costs	37,592	27,077	64,669	11,503	12,099	23,602
Legal and other professional expenses	2,422	7,175	9,597	1,050	2,628	3,678
Depreciation	1,861	7,526	9,387	912	2,775	3,687
Amortisation of intangible assets	407	3,932	4,339	208	1,928	2,136
Marketing expenses	902	1,163	2,065	641	565	1,206
Provision for expected credit losses	-	2,871	2,871	-	1,078	1,078
Others	(694)	14,943	14,249	(3,185)	4,448	1,263
	42,490	64,687	107,177	11,129	25,521	36,650

Notes to the condensed consolidated financial statements (continued)

16 General and administrative expenses (continued)

	Six month period ended 30 June 2018 (Unaudited) AED `000			Three month period ended 30 June 2018 (Unaudited) AED `000		
	Company	Subsidiaries	Total	Company	Subsidiaries	Total
Staff costs	49,962	26,485	76,447	28,815	11,975	40,790
Legal and other professional expenses	1,599	10,607	12,206	946	5,349	6,295
Depreciation	655	5,541	6,196	315	2,620	2,935
Amortisation of intangible assets	365	4,230	4,595	181	2,120	2,301
Marketing expenses	806	2,381	3,187	433	1,040	1,473
Provision for expected credit losses	-	1,203	1,203	-	731	731
Others	6,707	20,789	27,496	3,284	4,255	7,539
	60,094	71,236	131,330	33,974	28,090	62,064

17 Finance cost, net

	Six month period ended 30 June 2019 (Unaudited) AED `000	Six month period ended 30 June 2018 (Unaudited) AED `000	Three month period ended 30 June 2019 (Unaudited) AED `000	Three month period ended 30 June 2018 (Unaudited) AED `000
Interest on borrowings	97,286	79,233	49,083	41,410
Interest on lease liabilities	5,712	-	2,121	-
Amortisation of loan arrangement costs	2,248	2,274	1,130	1,156
Interest income from loan investments at amortised cost	(5,288)	(4,841)	(2,658)	(2,650)
Interest earned on time deposits	(483)	(2,915)	(173)	(1,246)
Interest income from investments in finance leases	(67)	(327)	-	(111)
	99,408	73,424	49,503	38,559

Notes to the condensed consolidated financial statements (continued)

18 Related parties

Significant transactions with related parties recognised in the statement of profit or loss:

Key management personnel compensation

	Six month period ended 30 June 2019 (Unaudited) AED '000	Six month period ended 30 June 2018 (Unaudited) AED '000	Three month period ended 30 June 2019 (Unaudited) AED '000	Three month period ended 30 June 2018 (Unaudited) AED '000
Salary and benefits	5,372	4,750	2,251	1,980
End of service and other long term benefits	481	320	233	169
	5,853	5,070	2,484	2,149

Significant balances with related parties:

Loan investments provided to an associate amounted to AED 12,283 thousand as at 30 June 2019 (31 December 2018: AED 12,283 thousand).

During the period, the Company's Key Management Personnel redeemed a net amount of AED 4,716 thousand from Waha MENA Equity Fund SP (30 June 2018: the Company's Key Management Personnel invested an amount of AED 920 thousand); the Company's Key Management Personnel redeemed a net amount of AED 195 thousand from Waha MENA Value Fund SP (30 June 2018: AED nil); the Company's Key Management Personnel redeemed a net amount of AED 1,145 thousand from Waha CEEMEA Credit Fund SP (30 June 2018: AED nil).

19 Operating segments

Private Investments

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

Asset Management - Capital Markets

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

Corporate

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

Notes to the condensed consolidated financial statements (continued)

19 Operating segments (continued)

The following table presents revenue and profit information for the Group's operating segments for the six month period ended 30 June 2019 and 2018, respectively:

AED `000	Asset Management			
	Private Investments	Capital Markets	Corporate	Consolidated
Six month period ended 30 June 2019 (unaudited)				
Revenue from sale of goods and services	166,732	-	-	166,732
Share of profit from equity-accounted associates and joint ventures, net	178,888	-	-	178,888
Impairment of equity-accounted associates and joint ventures	(209,365)	-	-	(209,365)
Loss on disposal of equity-accounted associates and joint ventures	(153,605)	-	-	(153,605)
Income from financial investments	(127,325)	394,561	-	267,236
Other income, net	219	426	38	683
(Loss) / profit for the period	(356,627)	348,643	(69,586)	(77,570)
Other comprehensive loss	(190,724)	-	-	(190,724)
Six month period ended 30 June 2018 (unaudited) (restated)				
Revenue from sale of goods and services	144,203	-	-	144,203
Share of profit from equity-accounted associates and joint ventures, net	281,135	-	-	281,135
Impairment of equity-accounted associates and joint ventures	(143,745)	-	-	(143,745)
Gain on disposal of equity-accounted associates and joint ventures	25,027	-	-	25,027
Gain on disposal of asset classified as held for sale	92,098	-	-	92,098
Income from financial investments	(40,746)	240,281	-	199,535
Other income, net	14,334	-	-	14,334
Profit / (loss) for the period	166,743	208,243	(76,718)	298,268
Other comprehensive income	123,027	-	-	123,027

Segment income reported above represents income generated from external customers. There was no inter-segment income during the period (2018: AED nil).

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively:

AED `000	Asset Management			
	Private Investments	Capital Markets	Corporate	Consolidated
As at 30 June 2019 (unaudited)				
Segment assets	4,563,344	6,550,903	387,825	11,502,072
Segment liabilities	2,144,555	3,562,913	1,554,469	7,261,937
As at 31 December 2018 (audited)				
Segment assets	5,992,993	5,475,239	203,177	11,671,409
Segment liabilities	2,949,714	2,939,021	1,232,744	7,121,479