Q1 REPORT

Report and condensed consolidated financial information for the three month period ended 31 March 2018

www.wahacapital.ae

الواحة كابيتال
WAHA CAPITAL

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Al Waha Capital PJSC
Abu Dhabi
United Arab Emirates

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 31 March 2018 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "*Interim Financial Reporting*". 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)

Signed by:
Georges F. Najem
Registration No. 809
10 May 2018
Abu Dhabi
United Arab Emirates

Condensed consolidated statement of financial position

	Note	As at 31 March 2018 (Unaudited) AED '000	As at 31 December 2017 (Audited) AED '000
ASSETS			
Furniture and equipment		**83,263**	82,534
Investment property	5	**763,499**	758,666
Goodwill and intangible assets		**112,773**	115,155
Investments in finance leases		**8,207**	9,930
Loan investments		**232,963**	232,963
Investments in equity-accounted associates and joint ventures	6	**4,680,952**	5,321,224
Financial investments	7	**4,094,202**	3,575,184
Inventories		**10,276**	8,900
Trade and other receivables	8	**723,574**	510,680
Cash and cash equivalents		**604,507**	519,626
		11,314,216	11,134,862
Asset classified as held for sale		**219,480**	219,480
Total assets		**11,533,696**	11,354,342
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,944,515**	1,944,515
Treasury shares		**(267,184)**	(267,184)
Retained earnings		**1,497,330**	1,725,713
Reserves		**132,477**	(22,763)
Equity attributable to the Owners of the Company		**3,307,138**	3,380,281
Non-controlling interests		**840,429**	789,569
Total equity		**4,147,567**	4,169,850
Liabilities			
Borrowings	10	**6,507,006**	6,584,012
End of service benefit provision		**33,317**	32,608
Derivative liabilities	11	**5,901**	123,263
Trade and other liabilities	12	**839,905**	444,609
Total liabilities		**7,386,129**	7,184,492
Total equity and liabilities		**11,533,696**	11,354,342

These condensed consolidated financial statements were authorised for issue by the Board of Directors on 10 May 2018 and signed on their behalf by:

Chairman	**Chief Executive Officer**	**Chief Financial Officer**

The notes numbered 1 to 18 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of profit or loss

For the three month period ended 31 March	Note	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Revenue from sale of goods and services	13	**72,011**	83,391
Cost of sale of goods and services	13	**(53,043)**	(59,060)
Gross profit		**18,968**	24,331
Share of profit from equity-accounted associates and joint ventures, *net*	6	**140,072**	138,602
Impairment of equity-accounted associates and joint ventures	6	**(61,804)**	(71,425)
Gain on disposal of equity-accounted associates and joint ventures	6	**25,027**	-
Income from financial investments	14	**130,102**	107,473
Other income, *net*		**10,831**	8,028
General and administrative expenses	15	**(71,819)**	(83,890)
Finance cost, *net*	16	**(34,920)**	(25,751)
Profit for the period		**156,457**	97,368
Profit for the period attributable to:			
Owners of the Company		**107,351**	87,577
Non-controlling interests		**49,106**	9,791
Profit for the period		**156,457**	97,368
Basic and diluted earnings per share attributable to the Owners of the Company (AED)	9	**0.058**	0.047

The notes numbered 1 to 18 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

For the three month period ended 31 March	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Profit for the period	**156,457**	97,368
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Share of effective portion of changes in fair value of cash flow hedges (note 11)	**102,358**	(280,869)
Hedge reserve reclassification for amounts recognised in profit or loss (note 11)	**49,152**	-
Share of change in other reserves of equity-accounted associates and joint ventures (note 6)	**9,284**	(52)
Release of share of other reserves of equity-accounted associates and joint ventures upon disposal	**(1,217)**	-
	159,577	(280,921)
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 7)	**-**	1,650
	-	1,650
Other comprehensive income / (loss) for the period	**159,577**	(279,271)
Total comprehensive income / (loss) for the period	**316,034**	(181,903)
Total comprehensive income / (loss) attributable to:		
Owners of the Company	**266,928**	(191,694)
Non-controlling interests	**49,106**	9,791
Total comprehensive income / (loss) for the period	**316,034**	(181,903)

The notes numbered 1 to 18 are an integral part of these condensed consolidated financial statements.

WAHA CAPITAL

Condensed consolidated statement of changes in equity

For the three month period ended 31 March

	Share capital AED '000	Treasury shares AED '000	Retained earnings AED '000	Statutory reserve AED '000	Revaluation reserve AED '000	Hedge reserve AED '000	Other reserves AED '000	Total reserves AED '000	Equity attributable to Owners of the Company AED '000	Non-controlling interests AED '000	Total equity AED '000
At 1 January 2017	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 period	-	-	87,577	-	-	-	-	-	87,577	9,791	97,368
Other comprehensive income / (loss)	-	-	-	-	1,650	(280,869)	(52)	(279,271)	(279,271)	-	(279,271)
Total comprehensive income / (loss)	-	-	87,577	-	1,650	(280,869)	(52)	(279,271)	(191,694)	9,791	(181,903)
Cash dividend (note 9)	-	-	(367,702)	-	-	-	-	-	(367,702)	-	(367,702)
Contributions from non-controlling interests[1]	-	-	-	-	-	-	-	-	-	103,503	103,503
At 31 March 2017 (Unaudited)	**1,944,515**	**(267,184)**	**1,429,944**	**429,897**	**13,061**	**(238,822)**	**190**	**204,326**	**3,311,601**	**422,328**	**3,733,929**
At 1 January 2018	1,944,515	(267,184)	1,725,713	472,491	4,337	(500,557)	966	(22,763)	3,380,281	789,569	4,169,850
Impact of adoption of new accounting standards (note 3 and 7)	-	-	(12,898)	-	(4,337)	-	-	(4,337)	(17,235)	-	(17,235)
At 1 January 2018 (restated)	1,944,515	(267,184)	1,712,815	472,491	-	(500,557)	966	(27,100)	3,363,046	789,569	4,152,615
Profit for the period	-	-	107,351	-	-	-	-	-	107,351	49,106	156,457
Other comprehensive income / (loss)	-	-	-	-	-	151,510	8,067	159,577	159,577	-	159,577
Total comprehensive income / (loss)	-	-	107,351	-	-	151,510	8,067	159,577	266,928	49,106	316,034
Cash dividend (note 9)	-	-	(321,739)	-	-	-	-	-	(321,739)	-	(321,739)
Acquisition of non-controlling interests[2]	-	-	(1,097)	-	-	-	-	-	(1,097)	(9,597)	(10,694)
Contributions from non-controlling interests[1]	-	-	-	-	-	-	-	-	-	18,412	18,412
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,061)	(7,061)
At 31 March 2018 (Unaudited)	**1,944,515**	**(267,184)**	**1,497,330**	**472,491**	**-**	**(349,047)**	**9,033**	**132,477**	**3,307,138**	**840,429**	**4,147,567**

[1]During the period, the Group invested AED 66,204 thousand (31 March 2017: AED Nil) and non-controlling interest holders invested AED 8,092 thousand (31 March 2017: AED 18,758 thousand) into the Waha MENA Equity Fund SP, resulting in an increase in the Group's ownership from 50.4% to 53.6%; the Group invested AED 44,136 thousand (31 March 2017: AED Nil) and non-controlling interest holders invested AED 2,566 thousand (31 March 2017: AED 73,560 thousand) into the Waha CEEMEA Fixed Income Fund SP, resulting in an increase in the Group's ownership from 60.5% to 62.7%. The Group and the non-controlling interest holders ownership in Waha MENA Value Fund SP was unchanged.

In addition, the non-controlling interest holders in Anglo Arabian Healthcare Group contributed their share of their investment amounting to AED 7,754 thousand (31 March 2017: AED 10,265 thousand) and distributions were made amounting to AED 7,061 thousand (31 March 2016: AED Nil).

[2]During the current period, the Group bought 2.8% stake in Anglo Arabian Healthcare Group from its co-investors, subsequent to which the co-investors' ownership reduced from 9.9% to 7.1%.

The notes numbered 1 to 18 are an integral part of these condensed consolidated financial statements.

WAHA CAPITAL

Condensed consolidated statement of cash flows

For the three month period ended 31 March	Note	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Cash flows from operating activities			
Profit for the period		**156,457**	97,368
Adjustments for:			
Depreciation		**4,651**	4,280
Finance cost, net	16	**34,920**	25,751
Charge for employees' end of service benefits		**2,104**	1,947
Loss on reclassification of hedge reserve on maturity	14	**49,152**	-
Gain on financial assets at fair value through profit or loss	14	**(168,588)**	(104,493)
Share of profit from equity-accounted associates and joint ventures, net	6	**(140,072)**	(138,602)
Impairment of equity-accounted associates and joint ventures	6	**61,804**	71,425
Gain on disposal of equity-accounted associates and joint ventures	6	**(25,027)**	-
Dividend from equity-accounted associates and joint ventures	6	**6,425**	-
Amortisation of intangible assets		**2,294**	3,315
Reversal of provisions for slow moving and obsolete inventories		**(24)**	(8)
Provision for doubtful debts		**7,528**	1,707
Changes in working capital:			
Change in inventories		**(1,352)**	(1,188)
Change in trade and other receivables		**(369,791)**	(185,982)
Change in trade and other liabilities		**352,245**	175,368
Net cash used in operations		**(27,274)**	(49,112)
Employees' end of service benefits paid		**(1,395)**	(342)
Net cash used in operating activities		**(28,669)**	(49,454)
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss, net		**(358,749)**	(481,206)
Payments made for development of investment property		**(3,483)**	(43,437)
Proceeds from disposal of associates and joint ventures, net		**329,658**	-
Purchase of furniture and equipment, net		**(5,380)**	(8,802)
Purchase of intangible assets, net		**-**	(1,374)
Proceeds from finance leases		**1,939**	1,939
Wakala deposit redeemed / (placed)		**25,000**	(25,000)
Interest received		**1,669**	419
Net cash used in investing activities		**(9,346)**	(557,461)
Cash flows from financing activities			
Finance cost paid on borrowings		**(25,330)**	(14,730)
Loans repaid		**(137,884)**	(18,883)
Loans obtained	10	**589,696**	747,322
Dividends paid	9	**(321,739)**	(367,702)
Contributions by non-controlling interest holders		**18,412**	103,503
Distributions paid to non-controlling interest holders		**(259)**	-
Net cash from financing activities		**122,896**	449,510
Net increase / (decrease) in cash and cash equivalents		**84,881**	(157,405)
Cash and cash equivalents at 1 January		**519,626**	572,262
Cash and cash equivalents at 31 March		**604,507**	414,857

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 three month period ended 31 March 2018 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 2017 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 2017. 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 2017, except for the adoption of new standards effective as of 1 January 2018, and impairment assessment of equity-accounted associates and joint ventures disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Impairment of equity-accounted associates and joint ventures

During the period, the Group's investment in Aercap Holdings NV ("Aercap") was tested for impairment, following a reassessment of the investment's recoverable amount and 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 (level 1) and value in use (level 3), considering the successive settlement of the Group's equity price collar agreements, in Aercap shares when due. Based on estimates of recoverable amount developed in accordance with these assumptions, an impairment of AED 61,804 thousand was recognised during the current period (note 6).

New and revised IFRSs effective in 2018

The Group has applied, for the first time, several new standards and amendments in 2018, as stated below:

- IFRS 9 *Financial Instruments* (revisions in 2014)
- IFRS 15 *Revenue from Contracts with Customers*
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions
- Amendments to IAS 40 *Investment Property* regarding transfer of investment property

The adoption of these standards have no material impact on the condensed consolidated financial statements of the Group, except for the adoption of the impairment related provisions of IFRS 9, the nature and effect of the changes are disclosed below.

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2018 (continued)

IFRS 15 *Revenue from Contracts with Customers*

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

IFRS 9 *Financial Instruments* (revisions in 2014)

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

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

The Group has also elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly instead of restating comparative periods, has adjusted the opening retained earnings (or other component of equity, as appropriate) of the current reporting period.

Impairment of financial assets

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

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

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

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2018 (continued)

IFRS 9 *Financial Instruments* (revisions in 2014) (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2018 (continued)

IFRS 9 *Financial Instruments* (revisions in 2014) (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default for financial assets is represented by the assets' gross carrying amount at the reporting date. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

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

Notes to the condensed consolidated financial statements

3 Significant accounting policies (continued)

New and revised IFRSs effective in 2018 (continued)

IFRS 9 *Financial Instruments* (revisions in 2014) (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

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

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

The adoption of the ECL and other requirements of IFRS 9 (2014) resulted in increases in impairment allowances of the debt financial assets held by the Group's equity-accounted investees. The statement of financial position as at 1 January 2018 was restated, resulting in decrease in the investment in equity-accounted associates and joint ventures, and the retained earnings by AED 17,235 thousand respectively (note 6).

Notes to the condensed consolidated financial statements (continued)

4 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.

	31 March 2018 (Unaudited) AED '000				31 December 2017 (Audited) AED '000			
Financial assets	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL								
Listed equity securities	**1,280,639**	**1,280,639**	**-**	**-**	1,254,437	1,254,437	-	-
Other investment in equity securities	**6,237**	**-**	**-**	**6,237**	6,237	-	-	6,237
Investment in fixed income securities	**2,290,261**	**2,290,261**	**-**	**-**	2,072,245	2,072,245	-	-
Derivative assets	**40,442**	**-**	**40,442**	**-**	48,122	-	48,122	-
Reverse repurchase contracts	**412,785**	**-**	**412,785**	**-**	130,305	-	130,305	-
Unquoted fund	**63,838**	**-**	**-**	**63,838**	-	-	-	-
Financial assets at FVTOCI								
Unquoted fund	**-**	**-**	**-**	**-**	63,838	-	-	63,838
Total	**4,094,202**	**3,570,900**	**453,227**	**70,075**	3,575,184	3,326,682	178,427	70,075

Financial liabilities	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Financial liabilities at FVTPL								
Derivative liabilities	**(5,802)**	**-**	**(5,802)**	**-**	(14,121)	-	(14,121)	-
Derivatives designated and effective as hedging instruments carried at fair value								
Equity price collar	**(99)**	**-**	**(99)**	**-**	(109,142)	-	(109,142)	-
Total	**(5,901)**	**-**	**(5,901)**	**-**	(123,263)	-	(123,263)	-

There were 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:

		31 March 2018 (Unaudited) AED '000	31 December 2017 (Audited) AED '000	Fair value hierarchy	Valuation technique
Financial assets at fair value through profit or loss					
a	Listed equity securities	**1,280,639**	1,254,437	Level 1	Quoted bid prices in an active market.
b	Other investment in equity securities	**6,237**	6,237	Level 3	Valuation is based on Net Asset Values (NAV).
c	Investment in fixed income securities	**2,290,261**	2,072,245	Level 1	Quoted bid prices in an active market.
d	Reverse repurchase contracts	**412,785**	130,305	Level 2	The valuation is based on broker quotes.
e	Derivative assets	**40,442**	48,122	Level 2	The valuation is based on broker quotes.
f	Unquoted fund	**63,838**	-	Level 3	Valuation is based on Net Asset Values (NAV) of the fund calculated by the fund manager.
Financial assets at fair value through other comprehensive income					
a	Unquoted fund	**-**	63,838	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	**(99)**	(109,142)	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	**(5,802)**	(14,121)	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

	Three-month period ended 31 March 2018 (Unaudited) AED '000	Year ended 31 December 2017 (Audited) AED '000
At 1 January	**70,075**	76,548
Increase in fair value through profit or loss	**-**	601
Total loss in other comprehensive income	**-**	(7,074)
	70,075	70,075

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

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

5 Investment property

The movement of investment property is presented below:

	Three-month period ended 31 March 2018 (Unaudited) AED '000	Year ended 31 December 2017 (Audited) AED '000
At 1 January	**758,666**	680,569
Additions[1]	**4,833**	144,179
Fair value loss	**-**	(58,361)
Transfer to investment in finance leases	**-**	(7,721)
	763,499	758,666

[1]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 1,185 thousand (31 December 2017: AED 3,150 thousand).

Notes to the condensed consolidated financial statements (continued)

6 Investments in equity-accounted associates and joint ventures

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

	Three-month period ended 31 March 2018 (Unaudited) AED '000	Year ended 31 December 2017 (Audited) AED '000
As at 1 January	**5,321,224**	5,033,561
Impact of adoption of new accounting standards (note 3)	**(17,235)**	-
As at 1 January (restated)	**5,303,989**	5,033,561
Additions due to acquisitions	**-**	200,451
Disposals[1]	**(704,164)**	-
Share of profit, net	**140,072**	644,706
Impairment loss	**(61,804)**	(257,348)
Share of equity reserves	**9,284**	816
Distributions received	**(6,425)**	(17,214)
Reclassified as held for sale	**-**	(283,606)
Other adjustments	**-**	(142)
	4,680,952	5,321,224

[1] During the period, the Group disposed 3.77 million shares equivalent to 2.47% stake in it's equity accounted associate investment in Aercap Holdings N.V. ("Aercap") for a consideration of AED 722,099 thousand, resulting in the recognition of gain on disposal of AED 25,027 thousand in the consolidated statement of profit or loss. Consequently, the Group's stake in Aercap reduced from 17.55% to 15.08%. Disposal of the shares was executed through the same transaction where the corresponding collars on 3.97 million shares of Aercap matured (note 11), and the relevant funding against collar asset amounting to AED 542,429 thousand, were settled (note 10). Consequently, an amount of AED 49,152 thousand was reclassified from other comprehensive income to profit or loss.

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 15.08% to 15.68%.

During the period, the Group disposed of 0.59% shareholding in Channel VAS to its co-investors, for an amount of AED 5,875 thousand. Consequently, the Group's ownership in Channel VAS reduced from 20.0% to 19.41%.

Investment in equity-accounted associates and joint ventures domiciled outside the UAE amount to AED 4,322,446 thousand (31 December 2017: AED 4,938,889 thousand).

The Group's investments with a carrying amount of AED 4,322,446 thousand (31 December 2017: AED 4,938,889 thousand) are collateralised against the Group's borrowings (note 10).

Notes to the condensed consolidated financial statements (continued)

7 Financial investments

	31 March 2018 (Unaudited) AED '000	31 December 2017 (Audited) AED '000
Financial assets at fair value through other comprehensive income		
Unquoted fund[1]	**-**	63,838
Financial assets at fair value through profit or loss		
Unquoted fund[1]	**63,838**	-
Derivative assets[2]	**40,442**	48,122
Reverse repurchase contracts, net[3]	**412,785**	130,305
Listed fixed income securities[4]	**2,290,261**	2,072,245
Listed equity securities[5]	**1,280,639**	1,254,437
Others investments	**6,237**	6,237
	4,094,202	3,575,184

[1]Due to the application of the clarification for classification of financial instruments as debt instruments, the investment in unquoted fund was reclassified from FVOCI to FVPTL. Consequently, the accumulated fair value losses of AED 4,337 thousand were transferred from the revaluation reserve to retained earnings.

[2]Derivative assets held by the Group include interest rate swaps, total return swaps, credit default swaps and currency futures and have a notional value of AED 12,722,940 thousand (31 December 2017: AED 12,168,622 thousand).

[3]Reverse repurchase contracts are shorted simultaneously. The carrying amounts presented are net of reverse repurchase receivables of AED 1,456,189 thousand and corresponding liabilities of AED 1,043,404 thousand (31 December 2017: reverse repurchase receivables of AED 1,000,565 thousand and corresponding liabilities of AED 870,260 thousand). The repurchase agreements are subject to a master netting agreement.

[4]Listed fixed income securities totalling AED 2,031,984 thousand (31 December 2017: AED 1,685,987 thousand) are pledged as security against the Group's borrowings under repurchase agreements.

[5]Included in the listed equity securities is a 19.50% associate investment in SDX Energy Inc. carried at AED 99,694 thousand (31 December 2017: 19.39% stake carried at 109,691 thousand), as part of the Group's venture capital activities and measured at FVTPL.

8 Trade and other receivables

	31 March 2018 (Unaudited) AED '000	31 December 2017 (Audited) AED '000
Trade receivables[1]	**513,812**	165,164
Allowance for doubtful debts	**(32,144)**	(24,616)
Prepayments and advances	**22,175**	20,398
Accrued interest	**100,053**	89,543
Amounts set aside for prior years dividends	**36,783**	36,959
Deposits under lien	**36,011**	36,011
Wakala deposits	**-**	25,000
Other receivables[2]	**46,884**	162,221
	723,574	510,680

[1]Increase in trade receivables mainly represent amounts due from brokers of capital market transactions.

[2]31 December 2017 balance include receivable of AED 114,241 thousand proceeds from partial disposal of NPS, which was collected during 2018.

Notes to the condensed consolidated financial statements (continued)

9 Share capital and dividend

On 25 March 2018, the Company held its Annual General Meeting which, among other things, approved a 17.5% cash dividend amounting to AED 321,739 thousand representing AED 0.175 per share (22 March 2017: cash dividend of AED 367,702 thousand representing AED 0.20 per share).

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

For the three month period ended	31 March 2018 (Unaudited)	31 March 2017 (Audited)
Profit for the period attributable to Owners of the Company (AED '000)	**107,351**	87,577
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,838,508,714**	1,838,508,714

10 Borrowings

The movement in borrowings is presented below:

	Three-month period ended 31 March 2018 (Unaudited) AED '000	Year ended 31 December 2017 (Audited) AED '000
At 1 January	**6,584,012**	5,464,877
Loans drawn-down	**589,696**	1,120,936
Loan arrangement and prepaid interest costs, net of amortisations	**13,611**	58,327
Loans repaid	**(680,313)**	(50,016)
Disposal of a subsidiary	**-**	(10,112)
	6,507,006	6,584,012

The investments and assets pledged to lenders as security against various facilities are the Group's interests in equity accounted investees (refer to note 6), the Group's shareholding in Al Waha Land LLC and investment in fixed income securities (refer to note 7).

During the period, an amount of AED 54,434 thousand was drawn-down from the Group's existing AED 1,839,000 thousand (US$ 500 million) secured revolving loan facility, and AED 13,439 thousand was drawn-down from the AED 426,000 thousand secured Murabaha-Ijara based financing for further development of its light industrial real estate project.

During the period, the Group's repurchase liabilities against its investment in fixed income securities increased by AED 384,504 thousand.

Loans repaid during the current period include settlement of funding against collared assets amounting to AED 542,429 thousand, upon maturity of the corresponding equity price collars on 3.97 million shares of Aercap (note 11).

Notes to the condensed consolidated financial statements (continued)

11 Derivative liabilities

	31 March 2018 (Unaudited) AED '000	31 December 2017 (Audited) AED '000
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar[1]	**99**	109,142
Financial liabilities at fair value through profit or loss		
Other derivative liabilities[2]	**5,802**	14,121
	5,901	123,263

[1] The Group carries equity price collars on its 22.87 million shares equivalent to 15.54% stake in AerCap, representing an investment of AED 348,946 thousand, at floor and cap prices in the range of US$ 34.74 – 39.38 and US$ 55.97 – 70.02 per share respectively. The equity price collars have been designated as cash flow hedging instruments, hedging the cash proceeds on a highly probable future sale of the shares, and accounted for as at fair value through other comprehensive income. During the period, the Group recognised a fair value gain of AED 102,358 thousand (31 March 2017: loss of AED 280,869 thousand) on cash flow hedges through other comprehensive income.

During the period, collars on 3.97 million shares of Aercap matured and were settled. Consequently, an amount of AED 49,152 thousand was reclassified from other comprehensive income to profit or loss upon maturity (note 14).

[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 2,531,567 thousand (31 December 2017: AED 3,168,168 thousand).

12 Trade and other liabilities

	31 March 2018 (Unaudited) AED '000	31 December 2017 (Audited) AED '000
Trade payables[1]	**554,452**	169,222
Interest accrued on borrowings	**92,475**	78,893
Dividends payable	**39,496**	39,672
Long term employee incentive plans accrual	**23,223**	23,981
Advances[2]	**36,557**	-
Other payables and accruals	**93,702**	132,841
	839,905	444,609

[1] Increase in trade payables mainly represent amounts due to brokers of capital market transactions.
[2] Represents advance sale proceeds upon disposal of investments.

13 Revenue and cost of sale of goods and services

Three month period ended 31 March	**2018 (Unaudited) AED '000**			2017 (Unaudited) AED '000		
	Revenue	**Cost of sale**	**Gross profit**	Revenue	Cost of sale	Gross profit
Sales of services	**64,682**	**(50,616)**	**14,066**	76,167	(58,337)	17,830
Rental income	**7,305**	**(2,403)**	**4,902**	7,216	(715)	6,501
Sale of inventory	**24**	**(24)**	**-**	8	(8)	-
	72,011	**(53,043)**	**18,968**	83,391	(59,060)	24,331

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.

Notes to the condensed consolidated financial statements (continued)

14 Income from financial investments

Three month period ended 31 March	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Derivatives designated and effective as hedging instruments carried at fair value		
Equity price collar – Reclassification of hedge reserve on maturity (note 11)	**(49,152)**	-
Financial assets at fair value through profit or loss		
Net gain / (loss) from derivatives	**26,021**	(3,090)
Net gain from listed fixed income securities	**26,792**	42,389
Net gain from listed equity securities	**115,775**	65,194
Others [1]	**10,666**	2,980
	130,102	107,473

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

15 General and administrative expenses

Three month period ended 31 March	2018 (Unaudited) AED '000			2017 (Unaudited) AED '000		
	Company	**Subsidiaries**	**Total**	Company	Subsidiaries	Total
Staff costs	**21,147**	**14,510**	**35,657**	30,935	13,902	44,837
Legal and other professional expenses	**653**	**5,258**	**5,911**	2,009	2,383	4,392
Depreciation	**340**	**2,921**	**3,261**	391	2,622	3,013
Amortisation of intangible assets	**184**	**2,110**	**2,294**	533	2,782	3,315
Marketing expenses	**373**	**1,341**	**1,714**	703	9,524	10,227
Rental expenses	**919**	**3,191**	**4,110**	907	3,250	4,157
Provision for doubtful debts	**-**	**7,528**	**7,528**	-	1,707	1,707
Others	**2,504**	**8,840**	**11,344**	2,694	9,548	12,242
	26,120	**45,699**	**71,819**	38,172	45,718	83,890

16 Finance cost, net

Three month period ended 31 March	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Interest on borrowings	**37,823**	27,888
Amortisation of loan arrangement costs	**1,118**	1,159
Interest income from loan investments at amortised cost	**(2,136)**	(2,628)
Interest earned on time deposits	**(1,669)**	(419)
Interest income from investments in finance leases	**(216)**	(249)
	34,920	25,751

Notes to the condensed consolidated financial statements (continued)

17 Related parties

Significant transactions with related parties:

Key management personnel compensation

For the three month period ended 31 March	2018 (Unaudited) AED '000	2017 (Unaudited) AED '000
Salary and benefits	2,770	2,136
End of service and other long term benefits	151	109
	2,921	2,245

Significant balances with related parties:

Loan investments provided to an associate amounted to AED 12,283 thousand as at 31 March 2018 (31 December 2017: AED 12,283 thousand).

18 Operating segments

The following table presents revenue and profit information for the Group's operating segments for the three month period ended 31 March 2018 and 2017, respectively:

AED '000		Asset Management			
Three-month period ended 31 March 2018 (unaudited)	**Principal Investments**	**Private Equity**	**Capital Markets**	**Corporate**	**Consolidated**
Revenue from sale of goods and services	7,329	64,682	-	-	72,011
Share of profit from equity-accounted associates and joint ventures, net	140,072	-	-	-	140,072
Impairment of equity-accounted associates and joint ventures	(61,804)	-	-	-	(61,804)
Gain on disposal of equity-accounted associates and joint ventures	25,027	-	-	-	25,027
Income from financial investments	(59,686)	-	189,788	-	130,102
Profit / (loss) for the period	37,063	(3,186)	167,497	(44,917)	156,457
Other comprehensive income	159,577	-	-	-	159,577
Three-month period ended 31 March 2017 (unaudited)					
Revenue from sale of goods and services	7,223	76,168	-	-	83,391
Share of profit from equity-accounted associates and joint ventures, net	138,602	-	-	-	138,602
Impairment of equity-accounted associates and joint ventures	(71,425)				(71,425)
Income from financial investments	22,908	-	84,565	-	107,473
Profit / (loss) for the period	92,505	(12,931)	66,444	(48,650)	97,368
Other comprehensive loss	(279,271)	-	-	-	(279,271)

Segment income reported above represents income generated from external customers. There was no inter-segment income during the period (2017: AED nil).

Notes to the condensed consolidated financial statements (continued)

18 Operating segments (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2018 and 31 December 2017, respectively:

AED '000		**Asset Management**			
As at 31 March 2018 (unaudited)	**Principal Investments**	**Private Equity**	**Capital Markets**	**Corporate**	**Consolidated**
Segment assets	**5,944,997**	**352,419**	**5,090,449**	**145,831**	**11,533,696**
Segment liabilities	**212,088**	**90,928**	**2,679,250**	**4,403,863**	**7,386,129**
As at 31 December 2017 (audited)					
Segment assets	6,594,084	472,492	4,142,608	145,158	11,354,342
Segment liabilities	279,725	98,693	1,904,281	4,901,793	7,184,492