Independent Auditor's Report

The Shareholders
Al Waha Capital PJSC
Abu Dhabi
United Arab Emirates

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

Opinion

We have audited the accompanying consolidated financial statements of Al Waha Capital PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in our audit
Accounting for equity accounted associates and joint ventures	
Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 12 (financial disclosures). Investments in equity-accounted associates and joint ventures amounted to AED 5.03 billion (50% of total assets) and AED 4.71 billion (49% of total assets) as at 31 December 2016 and 2015, respectively. The Group is exposed to risk of impairment of its equity accounted associates and joint ventures. The Group's management conducts its impairment test to assess the recoverability of the equity accounted associates and joint ventures and considers whether there are indicators of impairment with respect to these investments. Impairment assessments of these investments require significant judgement and there is the risk that valuation of the assets may be incorrect and any potential impairment charge miscalculated. Furthermore, there is a risk that associates and joint ventures are not accounted for and disclosed properly. As such, we have identified the impairment assessment, equity accounting and disclosure for the investments in equity accounted associates and joint ventures as representing key audit matters due to the significance of the balance to the financial statements as a whole, combined with the judgement associated in conducting the impairment assessment.	As part of our audit procedures, we have: • Perused the sale and purchase agreements, shareholder agreements and other supporting documentation and ensured that they are properly accounted for in accordance with IAS 28 and IFRS 11; • Ensured proper equity accounting was carried out during the year by looking at the post-acquisition change in the Group's share of net assets of the associates and joint ventures. In particular, we have: - Evaluated the purchase price allocation adjustments; - Tested additions and disposals of investments made during the period; and - Checked the accuracy for computation of share of dividend income and profit or loss and other comprehensive income of the associates and joint ventures. • Assessed the adequacy of the disclosures presented within the consolidated financial statements to ensure they are in accordance with IFRS 12; • Sent group referral instructions to the respective component auditors for significant investments to be involved in the respective audits from the planning stage to the concluding stage and to gain comfort on the audit procedures performed by the component auditors over the financial statements of each significant investment; • Evaluated the reasonableness of management's assumptions and estimates used in determining the recoverable values of material investments. We have benchmarked these assumptions against external data and assessed them based on our knowledge of the Group and the industry; and • In addition, we have tested management's sensitivity analysis and stress test scenarios around key drivers of cash flow forecasts.
Assessment of control, joint control and significant influence on investments	
Refer to note 3 (accounting policy) and note 5 and 12 (financial disclosures). There is a risk that management has made an error in judgement or may have not fully considered all rules, facts and circumstances in assessing whether the Group has control, joint control or significant influence on its investment/s or involvement in other entities which may have significant consequences on the primary financial statements and on the disclosures within the financial statements.	As part of our audit procedures, we have: • Tested the design and implementation of key controls around the application of the accounting standards and evaluated the significant judgements that management exercised in determining whether the Group controls, have significant influence or jointly controls portfolio companies, funds, and other entities; • Performed a detailed analysis of any equity interests in portfolio companies, funds, and other entities; • Reviewed legal documents to support any key judgments management has made in determining whether they control or have significant influence over an investee e.g. power over relevant activities; and • We have tested the consolidation process to assess whether the conclusions reached have been appropriately applied in the preparation of the consolidated financial statements and adequate disclosures have been made in the financial statements.

Key audit matters continued

Key audit matter	How the matter was addressed in our audit
Valuation and accounting of equity price collars designated as hedging instruments	
Refer to note 3 (accounting policy) and note 13 (financial disclosures). The Group carried equity price collars on approximately 15.23% stake in AerCap, representing an investment of AED 391.41 million (2015: AED 225.94 million), at floor and cap prices. The equity price collars have been designated as cash flow hedging instruments, hedging the cash proceeds on a highly probable future sale of AerCap shares, and accounted for as at fair value through OCI. As at 31 December 2016 and 2015, the positive fair value on equity price collars amounted to AED 433.46 million and AED 275.26 million, respectively. The valuation and accounting of the cash flow hedging instruments and consideration of hedge effectiveness can involve a significant degree of complexity and management judgement and are subject to an inherent risk of error. Given the significant account balance and the complexity of the accounting requirements, we have assessed the valuation, accounting and application of hedge accounting of the equity price collars as a key audit matter.	As part of our audit procedures, we have: • Held discussions with the finance, risk management and other related business units to assess the risk management process, strategy and objective; • Evaluated and tested the Group's key controls around valuation of equity price collars; Performed the following procedures with the assistance of our valuation specialists: • Tested inputs into the valuation models, assessing the reasonableness of the assumptions used in the models, checking the accuracy of the computation and ensuring the accounting for the fair value change is appropriate; • Obtained and reviewed the management work on the effectiveness of the hedge in offsetting exposure inherent in the hedged item throughout the expected term of hedge; • Reviewed the hedge documentation evidencing the specific designation of the equity price collar as a cash flow hedge and how this hedge is expected to be achieved and measured that is consistent with the Group's management strategy and objectives; and • Assessed whether the financial statement disclosures are appropriate.
Recognition, valuation and disclosure of investment properties	
Refer to note 4 (critical accounting judgements and key sources of estimation uncertainty), note 3 (accounting policy) and note 8 (financial disclosures). The Group's investment properties amounted to AED 680.57 million (7% of total assets) and AED 696.01 million (7% of total assets) as at 31 December 2016 and 2015, respectively. The investment properties arose from the recognition of a portion of the land granted by the Abu Dhabi Government. The Group accounts for investment properties initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss. The Group uses independent valuers to determine the fair value of the investment properties on an annual basis. As the fair value is determined based on level 3 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment property. We have identified the recognition, valuation and disclosure of investment properties as a key audit matter in view of the significant judgments involved.	As part of our audit procedures, we have: • Assessed the external valuer's competence, capabilities and objectivity by perusing their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed any scope limitations in their work; • Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the external valuer. With the assistance of our real estate specialists, we have assessed whether the valuations were performed in accordance with Royal Institution of Chartered Surveyors Valuation Professional Standards; • Gained an understanding of the external valuer's valuation methodologies (e.g., income capitalisation approach, residual value method) and their assumptions applied such as rental yields, discount rates etc. by comparing yields on a sample of similar properties and by evaluating the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions; • Discussed with external valuer on the valuation methods, inputs and key assumptions applied; • Compared a sample of key inputs used in the valuation model, such as rental income, occupancy and current tenancy contracts to lease contracts to ensure the accuracy of the information supplied to the external valuer by management; • Evaluated the management's established criteria for recognition of government grants for reasonability; and • Critically assessed the adequacy of the Group's disclosures to be in accordance with the requirements of IFRS 13 for fair value measurements, valuation techniques, changes in estimates during the period, significant unobservable inputs and the sensitivities to the key assumptions.

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) note 13 to the consolidated financial statements discloses that the Group purchased or invested in shares during the financial year ended 31 December 2016;

vi) note 24 to the consolidated financial statements discloses material related party transactions and balances, the terms under which they were conducted and principles of managing conflict of interests;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and

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

Deloitte & Touche (M.E.)

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