Amanat Holdings PJSC

Consolidated financial statements
For the year ended 31 December 2016

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For the year ended 31 December 2016

Directors' Report

The Board of Directors of Amanat Holdings PJSC (the "Company") and its subsidiaries (the "Group") has the pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended 31 December 2016.

Principal activities

The principal activities of the Group during the period ended 31 December 2016 were to invest in companies and enterprises in the fields of education and healthcare and managing, developing and operating such companies and enterprises.

Financial Results

The Group has recorded a net profit attributable to the shareholders of AED 38.4 million for the period ended 31 December 2016.

During the current financial year, the shareholders approved in the Annual General Meeting held on 18 April 2016, within the amendments of the Articles of Association of the Company, to cancel the statutory (additional) reserve and, thus, transfer the accumulated reserve to retained earnings.

In accordance with the Articles of Association of the Company, 10% of net profit for the period is transferred to the Legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid up share capital. Accordingly an amount of AED 3.84 million has been transferred to legal reserve during the year. The legal reserve is not available for distribution.

The Board of Directors of the Company has approved in the meeting held on 15 March 2017 the audited 2016 financials. The Board has proposed a cash dividend of AED 0.015 per share which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The remaining of the distributable profit after considering appropriation to reserves and proposed dividend (subject to approval of the shareholders at the Annual General Meeting) will be transferred to retained earnings.

Total shareholders' funds as at 31 December 2016 amount to AED 2,557 million prior to proposed dividend.

Amanat invested AED 540 million during 2016, which included two new acquisitions. In April 2016 Amanat completed the acquisition of a 16.34 per cent stake in Madaares for approximately AED 145.8 million. Operating under the Taaleem brand, Madaares is one of the leading school and nursery education providers in the UAE. Amanat also closed an acquisition of a 13.18 per cent economic interest in IMC, a best-in-class 300-bed multi-disciplinary hospital serving Saudi Arabia's Western Region, for AED 359.8 million towards the end of 2016.

Directors' Report (continued)

In addition, Amanat approved to participate in a loan to its associate Sukoon in an amount up to AED 92.5 million alongside other shareholders, out of which AED 34.4 million has been drawn down to date to fund working capital and capex requirements and may be repaid in the form of equity or cash at the option of the lenders.

Amanat has now deployed AED737 million on strategic investments in the UAE and Saudi Arabia healthcare and education sectors, representing almost 29.4 per cent of its total capital.

Outlook

Amanat will keep investing in businesses that are highly differentiated with proven management where it can add value. With a healthy deal pipeline in place, Amanat will continue to be very selective in pursuing opportunities that meet the Company investment criteria. With all the key financial indicators showing strong growth, Amanat expects the share from associates to improve as their full year performance starts to be reflected in our financials.

Directors

Mr. Faisal Bin Juma Belhoul	Chairman
Sheikh Abdulla Khalifa Al Khalifa	Board Director
Sheikh Mansoor Bin Mohamed Bin Buti Al Hamed	Board Director
Mr. Kamal Bahamdan	Board Director
Dr. Kassem Alom	Board Director
Dr. Abdul Majeed Saif Mohamed Ameen Alkhajeh	Board Director
Mr. Khalfan Bin Juma Belhoul	Board Director

Auditors

KPMG were appointed as external auditors for the Group for the period ended 31 December 2016. The Board of Directors has recommended KPMG as the auditors for 2017 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Faisal Bin Juma Belhoul
Chairman
Dubai, United Arab Emirates
15 March 2017

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

Independent auditors' report

To the Shareholders of Amanat Holdings PJSC

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of Amanat Holdings PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying 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 (IFRSs).

Basis for opinion

We 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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 judgment, 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 matters (continued)

1. Acquisition accounting

Refer to note 4 and 5 of the consolidated financial statements

The Group has significant investments in the following entities:
- Sukoon International Holding Company ("Sukoon");
- Madaares PrJSC ("Madaares"); and
- International Medical Center ("IMC") through a subsidiary Loai Reda & Hakeem Company for Trading Ltd. ("LT").

A number of key judgments are made to account for these investments in the Group's financial statements, including:

- The level of influence that the Group has over the investee, to determine whether it has control, significant influence or less than significant influence. This conclusion determines the classification of the investee as a subsidiary, associated undertaking, a form of a joint venture or another form of investment and the accounting treatment for the costs incurred as part of their investment;
- The point at which an investee's classification has changed, as in the case of Madaares; and.
- Fair value of the assets and liabilities at the date of investment and the resulting goodwill.

The Group appointed an expert to assess the fair values of the identifiable assets and liabilities of Sukoon and Madaares at the respective dates of their acquisitions.

Our audit response

We reviewed for reasonableness management's assessment of the level of influence that the Group has over the investee by taking into consideration the Group's percentage holding in the investee directly or indirectly through subsidiaries, its representation on the board of directors of the investee and its ability to influence the operational and financial policies of the investee. Where the classification changed during the course of the accounting period, such as in the case of Madaares which changed from an available for sale investment to an associate, we reviewed the rationale underpinning this conclusion for reasonableness.

With respect to the fair values ascribed to the identifiable net assets and liabilities at acquisition, we undertook the following procedures:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

- We obtained and reviewed the external valuation reports for Sukoon and Madaares. With the involvement of our specialist valuation team we challenged the basis of the key assumptions used in the fair value and purchase price allocation as determined by the valuer to test they were reasonable; and

- We carried out procedures to test whether investment specific standing data supplied to the external valuers by management reflected the underlying records held by the Group and which has been tested during our audit.

Key audit matters (continued)

1. Acquisition accounting *(continued)*

Our audit response *(continued)*

The Group has internally determined the fair value of the identifiable assets and liabilities of IMC at the date of its acquisition, as described in note 5 to the Group financial statements. We have reviewed management's calculations and assumptions used for arriving at the fair values.

Based on the outcome of our evaluation we determined the adequacy of the disclosure in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Directors' report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditors' report, and the Chairman's statement, Management review, Financial review and Key Ratios ("the Reports") which are expected to be made available to us after that date.

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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 have obtained prior to the date of this auditors' 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 will read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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 IFRSs 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.

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

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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls 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 controls.

- 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.

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

- 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 entities or business activities within 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 controls 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 the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;

- 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;

- the Group has maintained proper books of account;

- the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

Report on other legal and regulatory requirements *(continued)*

- as disclosed in note 5 and 6 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2016;
- note 18 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- 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 consolidated financial position as at 31 December 2016.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 15 MAR 2017

Amanat Holdings PJSC

Consolidated statement of financial position

	Note	31 December 2016 AED'000	31 December 2015 AED'000
ASSETS			
Non-current assets			
Property and equipment		1,830	1,085
Investment in associates	5	781,744	206,184
Loan to a related party	18	34,395	-
Total non-current assets		817,969	207,269
Current assets			
Available-for-sale investment	6	-	10,018
Deposits and prepayments	7	2,110	2,128
Other assets	8	29,970	8,378
Due from related parties	18	13,755	222
Cash and bank balances	9	1,771,028	2,337,585
Total current assets		1,816,863	2,358,331
Total assets		2,634,832	2,565,600
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	2,500,000	2,500,000
Share issuance reserve	11	5,718	5,718
Unrealised gain on available-for-sale investment	6	-	1,416
Retained earnings		42,583	40,467
Statutory reserve	20	-	5,058
Legal reserve	21	8,898	5,058
Total equity attributable to the owners of the Company		2,557,199	2,557,717
Non-Controlling Interest		115	-
Total Equity		2,557,314	2,557,717
LIABILITIES			
Current liabilities			
Trade and other payables	12	77,518	7,883
Total liabilities		77,518	7,883
Total equity and liabilities		2,634,832	2,565,600

The notes on pages 15 to 40 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 15 MAR 2017 and signed on its behalf by:

Chairman
Name: Faisal Bin Juma Belhoul

Director
Name: Abdulla Khalifa Alkhalifa

The Independent auditors' report is set out on pages 3 - 8.

Amanat Holdings PJSC

Consolidated statement of profit or loss
For the year ended 31 December 2016

	Note	For the year ended 31 December 2016	For the period from 17 November 2014 to 31 December 2015
	Note	**AED'000**	AED'000
Income			
Interest income	*13*	**62,227**	32,264
Realised gain on sale of available-for-sale investment		**1,268**	56,201
Dividend income		**146**	1,090
Other income		**393**	-
		64,034	89,555
Share of profit of equity-accounted investees	*5*	**20,181**	8,918
Expenses			
Pre-incorporation expenses		**-**	(12,515)
Employee related expenses	*14*	**(25,760)**	(18,658)
General and administrative expenses	*15*	**(20,004)**	(16,717)
Total operating expenses		**(45,764)**	(47,890)
Net profit for the year/ period		**38,451**	50,583
Profit attributable to:			
Owners of the Company		**38,398**	50,583
Non-Controlling interests		**53**	-
		38,451	50,583
Basic and diluted earnings per share (AED)	*16*	**0.0154**	0.0202

The notes on pages 15 to 40 are an integral part of these consolidated financial statements.

The Independent auditors' report is set out on pages 3 - 8.

Amanat Holdings PJSC

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Note	For the year ended 31 December 2016	For the period from 17 November 2014 to 31 December 2015
	Note	**AED'000**	AED'000
Net profit for the year/ period		**38,451**	50,583
Other comprehensive income			
Available-for-sale investment – net change in fair value	6	**(148)**	57,617
Available-for-sale investment – reclassified to profit or loss		**(1,268)**	(56,201)
Total comprehensive income for the year/ period		**37,035**	51,999
Profit attributable to:			
Owners of the Company		**36,982**	51,999
Non-Controlling interests		**53**	-
		37,035	51,999

The notes on pages 15 to 40 are an integral part of these consolidated financial statements.

The Independent auditors' report is set out on pages 3 - 8.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Note	Share capital AED'000	Share issuance reserve AED'000	Unrealised gain on available-for-sale investment AED'000	Retained earnings AED'000	Statutory reserve AED'000	Legal reserve AED'000	Non-Controlling Interest AED'000	Total AED'000
Proceeds from share subscription	*10*	2,500,000	-	-	-	-	-	-	2,500,000
Proceeds received for share issuance and IPO expenses	*11*	-	50,000	-	-	-	-	-	50,000
Less: Share issuance and IPO expenses	*11*	-	(44,282)	-	-	-	-	-	(44,282)
Profit for the period		-	-	-	50,583	-	-	-	50,583
Transfer to statutory reserve	*20*	-	-	-	(5,058)	5,058	-	-	-
Transfer to legal reserve	*21*	-	-	-	(5,058)	-	5,058	-	-
Available-for-sale investment – net change in fair value	*6*	-	-	57,617	-	-	-	-	57,617
Available-for-sale investment – reclassified to profit or loss	*6*	-	-	(56,201)	-	-	-	-	(56,201)
As at 31 December 2015		2,500,000	5,718	1,416	40,467	5,058	5,058	-	2,557,717

Amanat Holdings PJSC

Consolidated statement of changes in equity *(continued)*
For the year ended 31 December 2016

	Note	Share capital AED'000	Share issuance reserve AED'000	Unrealised gain on available-for-sale investment AED'000	Retained earnings AED'000	Statutory reserve AED'000	Legal reserve AED'000	Non-Controlling Interest AED'000	Total AED'000
As at 1 January 2016		2,500,000	5,718	1,416	40,467	5,058	5,058	-	2,557,717
Acquisition of subsidiary with Non-Controlling interest	*4*	-	-	-	-	-	-	62	62
Profit for the year		-	-	-	38,398	-	-	53	38,451
Transfer from statutory reserve	*20*	-	-	-	5,058	(5,058)	-	-	-
Transfer to legal reserves		-	-	-	(3,840)	-	3,840	-	-
Available-for-sale investment – net change in fair value	*6*	-	-	(148)	-	-	-	-	(148)
Available-for-sale investment – reclassified to profit or loss	*6*	-	-	(1,268)	-	-	-	-	(1,268)
Dividend paid	*23*	-	-	-	(37,500)	-	-	-	(37,500)
As at 31 December 2016		2,500,000	5,718	-	42,583	-	8,898	115	2,557,314

The notes on pages 15 to 40 are an integral part of these consolidated financial statements.

The Independent auditors' report is set out on pages 3 - 8.

Amanat Holdings PJSC

Consolidated statement of cash flows
For the year ended 31 December 2016

	Note	**For the year ended 31 December 2016**	For the period from 17 November 2014 to 31 December 2015
		AED'000	AED'000
Operating activities			
Profit for the period		**38,451**	50,583
Adjustments:			
Less: Interest income	*13*	**(62,227)**	(32,264)
Less: Dividend income	*6*	**(146)**	(1,090)
Less: Share of profits from associates	*5*	**(20,181)**	(8,918)
Less: Gain on sale of available-for-sale investment		**(1,268)**	(56,201)
Add: Depreciation		**448**	93
		(44,923)	(47,797)
Adjustment for:			
Changes in deposits and prepayments	*7*	**18**	(2,128)
Changes in other assets	*8*	**652**	(1,354)
Changes in due from related parties	*18*	**(13,533)**	(222)
Changes in trade and other payables	*12*	**7,691**	7,883
Interest received		**39,983**	25,240
Net cash used in operating activities		**(10,112)**	(18,378)
Investing activities			
Acquisition of property and equipment		**(1,193)**	(1,178)
Net change in available-for-sale investment	*6*	**(3,643)**	(249,998)
Proceeds from sale of available-for-sale investment		**13,514**	297,597
Consideration paid for investment in associate	*5*	**(493,374)**	(197,266)
Changes in wakala and term deposits with original maturity of more than 3 months	*9*	**(37,419)**	(1,715,000)
Loan to a related party	*18*	**(34,395)**	-
Dividend Income		**146**	1,090
Net cash used in investing activities		**(556,364)**	(1,864,755)
Financing activities			
Issue of share capital	*10*	**-**	2,500,000
Proceeds received for shares issuance and IPO expenses	*11*	**-**	50,000
Shares issuance and IPO expenses paid	*11*	**-**	(44,282)
Dividends paid		**(37,500)**	-
Net cash generated from financing activities		**(37,500)**	2,505,718
Net (decrease)/increase in cash and cash equivalents		**(603,976)**	622,585
Cash and cash equivalents at the beginning of the year/ period		**622,585**	-
Net balance of cash and cash equivalents at the end of the year/ period		**18,609**	622,585

The notes on pages 15 to 40 are an integral part of these consolidated financial statements.

The Independent auditors' report is set out on pages 3 - 8.

1 BACKGROUND AND PRINCIPAL ACTIVITIES

Amanat Holdings PJSC ("the Company") was incorporated on 17 November 2014 and is registered as a Public Joint Stock Company. Following the Initial Public Offering ("IPO") which commenced on 20 October 2014 and closed on 4 November 2014, the Company listed on the Dubai Financial Market. These consolidated financial statements include the financial performance and position of the Company and its subsidiaries (collectively the "Group").

The principal activities of the Group are to invest in companies and enterprises in the fields of education and healthcare and managing, developing and operating such companies and enterprises. The Group may participate or have an interest in any manner in other companies, entities or institutions outside United Arab Emirates.

The Group has six Limited Liability Companies and four offshore Jebel Ali Free Zone Authority companies (the "Group companies"). The Group also has investments in subsidiaries and associates. The extent of the Company's ownership in these subsidiaries and its associates with their principal activities are as follows:

Name	Legal effective ownership interest	Country of incorporation	Principal Activities
Subsidiaries			
Amanat Investments L.L.C.	*100%*	United Arab Emirates	Investment in commercial enterprises and management.
Amanat Education Investments L.L.C.	*100%*	United Arab Emirates	Investment in education and commercial enterprises, development and management.
Amanat Healthcare Investments L.L.C.	*100%*	United Arab Emirates	Investment in healthcare and commercial enterprises, development and management.
Amanat H.H. Alpha Investments L.L.C.	*100%*	United Arab Emirates	Investment in healthcare and commercial enterprises, development and management.
Amanat H.E. Alpha Investments L.L.C.	*100%*	United Arab Emirates	Investment in education and commercial enterprises, development and management.
Talent Investments L.L.C	*100%*	United Arab Emirates	Investment in education and commercial enterprises, development and management.
A.H.H. Investments Limited	*100%*	United Arab Emirates	Investment in healthcare and commercial enterprises, development and management.
A.H.E. Investments Limited	*100%*	United Arab Emirates	Investment in education and commercial enterprises, development and management.
AHE Alpha Limited	*100%*	United Arab Emirates	Investment in education and commercial enterprises, development and management.
AHH Alpha Limited	*100%*	United Arab Emirates	Investment in healthcare and commercial enterprises, development and management.
Loai Reda & Hakeem Company for Trading Ltd.	*85.20%*	Kingdom of Saudi Arabia	Investment in companies in the field of healthcare

1 BACKGROUND AND PRINCIPAL ACTIVITIES (*continued*)

Name	Legal effective ownership interest	Country of incorporation	Principal Activities
Associates			
Sukoon International Holding Company	*33.25%*	Kingdom of Saudi Arabia	Long-term and critical healthcare
Madaares PrJSC	*16.34%*	United Arab Emirates	Leading education provider in U.A.E
International Medical Center*	*13.18%*	Kingdom of Saudi Arabia	Hospital and healthcare facilities in KSA

*Investment in International Medical Center is through the acquisition of Loai Reda & Hakeem Company for Trading Ltd.

2 BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB) and applicable requirements of the laws of the U.A.E.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments that are measured at fair values and the liability for defined benefit obligations which is recognised at the present value of the defined benefit obligation.

c. Functional and reporting currency

The consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d. Use of judgments and estimates

The preparation of Consolidated Financial Statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected, if the revision affects both current and future periods.

Information about Judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in Note 3 (a) and 5.

2 BASIS OF PREPARATION *(continued)*

e. New and amended standards in issue but not yet effective

A number of new standards and amendments to standards applicable to the Group are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

New or amended Standards	Summary of the requirements	Effective date
Disclosure Initiative (Amendments to IAS 7)	The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.	The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.	IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.	IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 16 Leases	IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

2 BASIS OF PREPARATION *(continued)*

c. New and amended standards in issue but not yet effective *(continued)*

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the period presented, unless otherwise stated.

The Group has adopted certain new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016. These changes did not have a material impact on the Group's financial statements.

a. Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Basis of consolidation *(continued)*

(iii) Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NC I and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investment in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in an associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of the associate, until the date on which significant influence ceases.

b. Foreign currency translation

Transactions denominated in foreign currencies are translated into AED at exchange rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into AED at exchange rates prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into AED at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. All gains and losses from settlement and translation of foreign currency transactions are generally recognised in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Foreign currency translation *(continued)*

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income ("OCI"):

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

c. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial instruments *(continued)*

(ii) Non-derivative financial assets – Measurement

Financial assets at fair value through profit and loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial instruments *(continued)*

(iv) Impairment

Impairment of financial assets

A financial asset not classified at FVTPL is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised except for available for sale equity instruments, which is recognised in other comprehensive income. For financial assets measured at amortised cost, the reversal is recognised in statement of profit or loss.

In assessing collective impairment, the Group uses historical information as the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be great or lesser suggested by the historical trends.

Impairment of equity accounted investees

Any impairment is measured by comparing the recoverable amount of investment by its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial instruments *(continued)*

(v) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence. the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at a closing-price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to reflect the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability is measured at fair value that has a bid price and a ask price, then the Group measure assets and long positions at a bid price and liabilities and short positions at an ask price.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of derivatives that are not exchange traded is estimated at the present value of the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparty.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c. Financial instruments *(continued)*

(v) Fair value measurement *(continued)*

Fair value hierarchy

The Group measures the fair value using the following fair value hierarchy that reflects the significance of input used in making these measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets and wakala agreements with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

	Useful Life
▪ Furniture & Fixtures	5 years
▪ Office equipment	5 years
▪ Motor vehicles	5 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end and adjusted if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

f. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Pension Obligations

UAE national employees are covered under the Pensions and Social Law in the UAE such that contributions from the Company and the employees are made to the General Pension and Social Security Authority on a monthly basis. This plan is considered as a defined contribution pension plan as the Company's obligation is limited to monthly contributions.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due.

End of service benefits

The Group provides end of service benefits to its expatriate employees in accordance with U.A.E. Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

h. Interest income

Interest income is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

i. Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually, this is the ex-dividend date for quoted equity securities and for unquoted equity securities, this is usually the date on which shareholders approve the payment of dividends.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j. Operating lease

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

k. Share Capital

Ordinary shares of the Group are classified as equity. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

4 INVESTMENT IN SUBSIDIARY

On 26 December 2016, the Group acquired 85.2% shares of Loai Reda & Hakeem Company for Trading Ltd. ("LT"), for a total consideration of AED 0.45 million with a purpose to acquire shares in International Medical Centre. LT had net assets of AED 0.53 million at the date of acquisition and the acquisition resulted in recognition of non-controlling interest of AED 0.08 million.

5 INVESTMENT IN ASSOCIATES

	31 December 2016 AED'000	31 December 2015 AED'000
Sukoon International Holding Company ("Sukoon")	**219,814**	206,184
Madaares PrJSC ("Madaares)	**139,754**	-
International Medical Center ("IMC") (refer note 4)	**422,176**	-
	781,744	206,184

a) Sukoon International Holding Company

Investment in associates includes an equity investment of 33.25% (2015: 35%) in Sukoon International Holding Company ("Sukoon"). This investment is accounted for in accordance with the equity accounting methodology as per IAS 28 – Investments in associates and joint ventures.

The following summarises the financial information of Sukoon and reconciles the summarised financial information to the carrying amount of the Group's interest in Sukoon for the year ended 31 December 2016.

	31 December 2016 AED'000	31 December 2015 AED'000
Investment in associate at 1 January	**206,184**	197,266
Group's share of net profits for the year/ period	**14,331**	8,918
Amortisation of Purchase Price Allocation ("PPA") assets*	**(701)**	-
Investment in Sukoon	**219,814**	206,184

* This represents amortisation for the period from 10 August 2015 (date of acquisition) to 31 December 2016.

5 INVESTMENT IN ASSOCIATES *(continued)*

a) Sukoon International Holding Company *(continued)*

The Group's interest in Sukoon at 31 December 2015 was 35%. An acquisition by Sukoon through a stock for stock consideration via capital increase has reduced the Group's holding in Sukoon to 33.25%.

	31 December 2016 AED '000	31 December 2015 AED '000
Percentage of interest	**33.25%**	35%
Assets	**745,798**	565,607
Liabilities	**(265,220)**	(196,064)
Net assets	**480,578**	369,543
Group's share in net assets at 33.25% (2015: 35%)	**159,792**	129,340
Goodwill, intangible and other fair value adjustments	**71,214**	71,214
Elimination of profit on sale of IMC shares	**(19,851)**	-
Costs of acquisition capitalised	**5,064**	5,064
Amortisation of PPA assets *	**(701)**	-
Other adjustments	**4,296**	566
Investment in Sukoon	**219,814**	206,184

* This represents amortisation for the period from 10 August 2015 (date of acquisition) to 31 December 2016.

	For the year ended 31 December 2016	For the period from 10 August 2015 to 31 December 2015
	AED'000	AED'000
Revenue	**225,308**	107,820
Profit	**102,851**	25,479
Group's share of profit *	**14,331**	8,918

* Group's share of profits excludes gain recognized by Sukoon on sale of IMC shares to the Company.

5 INVESTMENT IN ASSOCIATES *(continued)*

b) Madaares PrJSC

During the current year the Group acquired 16.34% of the equity of Madaares PrJSC, and classified it as an available-for-sale investment until June 2016. However, as a result of additional rights granted to the Group in June 2016 it concluded that it had the ability to exercise significant influence over the operational and financial policies of this entity and, accordingly, accounted for this entity as an associated undertaking with effect from that date.

The following summarises the Group's interest in this associated undertaking for the year ended 31 December 2016.

	31 December 2016 AED'000
Initial cost of investment (transferred from available-for-sale on 14 June 2016)	**145,822**
Group's share of net profits for the period from 14 June 2016 to 31 December 2016	**7,087**
Amortisation of PPA assets *	**(904)**
Dividend received for the period	**(12,251)**
Investment in Madaares	**139,754**

* This represents amortisation for the period from 14 June 2016 (date of acquisition) to 31 December 2016.

	31 December 2016 AED '000
Percentage of interest	**16.34%**
Assets (excluding existing goodwill in Madaares)	**1,133,751**
Liabilities	**(493,051)**
Net assets	**640,700**
Group's share in net assets at 16.34% (2015: nil)	**104,690**
Goodwill and intangibles at acquisition	**32,261**
Cost of acquisition capitalised	**3,707**
Amortisation of PPA assets *	**(904)**
Investment in Madaares	**139,754**

* This represents amortisation for the period from 14 June 2016 (date of acquisition) to 31 December 2016.

5 INVESTMENT IN ASSOCIATES *(continued)*

b) Madaares PrJSC *(continued)*

	For the year ended 31 December 2016
	AED'000
Revenue for the period from 14 June 2016 to 31 December 2016	**238,956**
Profit for the period from 14 June 2016 to 31 December 2016	**43,375**
Group's share of profit	**6,183**

c) International Medical Center

At the date of acquisition of LT, it had an investment of AED 123.88 million in International Medical Center ("IMC") representing a 4.57% shareholding in IMC. This investment was classified as AFS in the books of LT. Subsequent to the acquisition of LT, the Group provided a loan of AED 357.15 million to LT which was used to acquire additional shares in IMC which increased LT's total shareholding in IMC to 15.47%. Given the 15.47% holding and LT's representation on both the Board of Directors and Executive Committee, the Group believes that it has significant influence over the operating and financial policies of IMC and, accordingly, classified it its associated undertaking. The Group's effective ownership in IMC is 13.18%.

The following summarises the financial information of IMC and reconciles the summarised financial information to the carrying amount of the Group's interest in IMC for the period from 26 December 2016 till 31 December 2016.

	31 December 2016 AED'000
Initital cost of investment in IMC	**419,096**
Costs capitalized	**2,712**
Share of profit from 26 December 2016 to 31 December 2016	**368**
Investment in IMC	**422,176**

5 INVESTMENT IN ASSOCIATES *(continued)*

c) International Medical Center *(continued)*

	31 December 2016 AED '000
Effective ownership	**13.18%**
Assets	**1,029,238**
Liabilities	**(243,959)**
Net assets	**785,279**

	31 December 2016 AED '000
Revenue for the period from 26 December 2016 to 31 December 2016	**15,022**
Profit for the period from 26 December 2016 to 31 December 2016	**2,381**
Group's share of profit	**368**

The process of evaluating the fair value of the identifiable net assets acquired as part of the acquisition in IMC is currently ongoing. In the meantime the Directors of the Company have assessed on a preliminary basis that the fair value of all the net assets of the acquired entity correspond to their book value.

6 AVAILABLE-FOR-SALE INVESTMENT

	31 December 2016 AED'000	31 December 2015 AED'000
Opening balance	**10,018**	-
Acquired during the year	**149,466**	249,998
Net change in fair value	**(148)**	57,617
Disposal during the period	**(13,514)**	(297,597)
Transfer to investment in associate (note 5b)	**(145,822)**	-
Available-for-sale investment	**-**	10,018

Available-for-sale investments included the investment made by the Group in Madaares PrJSC, incorporated in Dubai, where the Group acquired a 16.34% equity stake for consideration of AED 145.8 million. This investment was reclassified from available-for-sale investments to investment in associates with effect from 14 June 2016.

7 DEPOSITS AND PREPAYMENTS

	31 December 2016 AED'000	31 December 2015 AED'000
Deposits	**1,003**	1,019
Prepayments	**1,107**	1,109
	2,110	2,128

8 OTHER ASSETS

	31 December 2016 AED'000	31 December 2015 AED'000
Accrued interest	**29,268**	7,024
Transaction related costs	**233**	1,257
Other receivables	**469**	97
	29,970	8,378

9 CASH AND BANK BALANCES

	31 December 2016 AED'000	31 December 2015 AED'000
Call deposits	**3**	17,408
Current account	**18,556**	605,152
Cash on hand	**50**	25
Cash and cash equivalents for cash flow statement	**18,609**	622,585
Wakala deposits	**610,000**	885,000
Term deposits	**1,142,419**	830,000
	1,771,028	2,337,585

During the year ended 31 December 2016 the Company earned profit/interest at an average rate of 2.86% per annum on its Wakala, Term and call deposits combined together (Period ended 31 December 2015: 1.33 %).

10 SHARE CAPITAL

Authorised share capital

As at 31 December 2015 the authorised share capital of the Company was AED 2.5 billion. However, during the Annual General Meeting which was held on 18 April 2016, the authorised share capital of the Company was increased to AED 5 billion.

Issued share capital

As at 31 December 2016 the company had 2,500,000,000 ordinary shares in issuance of AED 1 each. Holders of these ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group.

11 SHARE ISSUANCE RESERVE

	31 December 2016 AED'000	31 December 2015 AED'000
Amounts raised in initial public offering for related costs (AED 0.02 per share)	**50,000**	50,000
Less: Share issuance and IPO expenses incurred	**(44,282)**	(44,282)
	5,718	5,718

12 TRADE AND OTHER PAYABLES

	31 December 2016 AED'000	31 December 2015 AED'000
Directors' remuneration payable (note 15)	**2,975**	4,400
Sundry payables	**2,387**	1,995
Staff related provisions	**4,691**	1,147
Accrued expenses	**5,521**	341
Payable to NCI Shareholders of LT (note 18)	**61,944**	-
	77,518	7,883

13 INTEREST INCOME

	For the year ended 31 December 2016 AED'000	For the period ended 17 November 2014 to 31 December 2015 AED'000
Profit on Wakala deposits	**23,645**	25,077
Interest on call and term deposits	**38,295**	7,187
Interest income from loan to Sukoon (Note 18)	**287**	-
	62,227	32,264

14 EMPLOYEE RELATED EXPENSES

	For the year ended 31 December 2016	For the period ended 17 November 2014 to 31 December 2015
	AED'000	AED'000
Salaries, wages and other benefits	**21,909**	16,430
Provision for gratuity	**630**	354
Other staff costs	**3,221**	1,874
	25,760	18,658

15 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2016	For the period ended 17 November 2014 to 31 December 2015
	AED'000	AED'000
General and administrative expenses	**16,852**	14,799
Transaction related costs	**7,552**	1,918
Reversal of accrual for Directors' remuneration *	**(4,400)**	-
	20,004	16,717

* At the Company's Annual General Meeting held on 18 April 2016, the Board of Directors decided not to seek any remuneration for the period ended 31 December 2015. Hence the provision for their remuneration has been reversed in the consolidated statement of profit or loss during the year ended 31 December 2016.

16 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the year and the number of ordinary shares outstanding during the year.

	For the year ended 31 December 2016	For the period ended 17 November 2014 to 31 December 2015
	AED'000	AED'000
Profit for the year/ period attributable to owners of the Company (AED'000)	**38,398**	50,583
Number of ordinary shares ('000)	**2,500,000**	2,500,000
Earnings per share (AED)	**0.0154**	0.0202

17 OPERATING LEASES

At 31 December 2016, the future minimum lease payments for operating leases payable were as follows:

	31 December 2016 AED'000	31 December 2015 AED'000
Due in less than one year	**2,338**	4,061
Due between one and five years	-	2,422
Total minimum lease payments	**2,338**	6,483

18 RELATED PARTY TRANSACTIONS

The Group, in its normal course of business, enters into transaction with business enterprises that fall within the definition of a 'related party' as contained in International Accounting Standard 24 (Revised). The terms and conditions of these transactions are agreed between the Company and related party. The following is the list of significant transactions and balances with related parties.

Transactions with a related party	**For the year ended 31 December 2016 AED'000**	For the period 17 November 2014 to 31 December 2015 AED'000
Expenses incurred on behalf of Sukoon International Holding Company	**592**	222
Interest Income from loan to Sukoon	**287**	-

Balances outstanding with related parties

	31 December 2016 AED'000	31 December 2015 AED'000
Due from related parties		
Due from Sukoon International Holding Company	**1,504**	222
Due from Madaares *	**12,251**	-
	13,755	222

* This balance includes AED 12.25 million of dividends receivable from Madaares.

Due to a related party

Due to NCI Shareholders of LT *	**61,944**	-

* This balance represents the amount payable by the Company to the NCI shareholders of LT in relation to their ownership of IMC shares.

18 RELATED PARTY TRANSACTIONS *(continued)*

During the year, the Group has provided a term loan of AED 34.39 million to Sukoon to finance its operations and working capital requirements. The loan earns an interest of 10% per annum and matures in 2 years. The amount is repayable at the maturity. As per the loan agreement, the Group at any time, or prior to, the maturity date, may call on the shareholder loan and require Sukoon to convert the loan outstanding at that point of time, together with the commission accrued thereon, into new shares in Sukoon. As agreed between both parties, the market value of shares is equivalent to the outstanding loan amount. The above conversion is subject to the approval of Board of Directors and Extra Ordinary General Assembly of Sukoon.

Key managerial persons' remunerations

Director and key managerial persons' compensation comprised the following:

	For the year ended 31 December 2016	For the period 17 November 2014 to 31 December 2015
	AED'000	AED'000
Short–term benefits	**10,779**	9,121
Post–employment benefits	**221**	145

19 Financial Risk Management

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

19 Financial Risk Management *(continued)*

a. Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's balances with banks and financial institutions, wakalah deposits with financial institutions, investments, other assets and in debt securities.

The Group manages its credit risk exposure through diversification of its investments and deposits to avoid concentration of risk with institutions or group of institutions in specific location or business.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2016 AED '000	31 December 2015 AED '000
Deposits	**1,003**	1,019
Other assets	**29,934**	7,121
Due from related parties	**13,791**	222
Loan to a related party	**34,395**	-
Cash at banks	**1,770,978**	2,337,560
	1,850,101	2,345,922

Exposure to credit risk is monitored on an ongoing basis. Cash is placed with good credit rating banks. The entire credit exposure of the Group is in the Middle East (98.13% in UAE and 1.87 % in Saudi Arabia), based on the country of operation of counter parties. None of the above mentioned receivables were past due or impaired at the reporting date.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The contracted maturity of all the financial liabilities is less than 6 months and management believes that contractual cash flows of the financial liabilities are not materially different from their carrying amounts.

c. Market risks

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables. Market risk arises from foreign currency products and interest bearing products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as currency rates, interest rates and credit spreads

19 Financial Risk Management *(continued)*

c. Market risks (*continued*)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will change because of changes in foreign exchange rates. The Group has foreign exchange exposure on transactions that are denominated in SAR. As at 31 December 2016, the Group had assets of AED 576 million denominated in SAR.

A change of 10% in foreign exchange rates of SAR at the reporting date would not have significant impact as SAR and AED are both pegged against USD.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises principally from its deposits held with banks. Since the Group's deposits earn interest at fixed rates, any changes in interest / profit rate will not have an impact on the consolidated profit or loss of the Group.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Equity price risk arises from the change in fair value of equity instruments.

d. Operational risk

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

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

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Group's senior management identify and manage operational risk to reduce the likelihood of any operational losses. Compliance with policies and procedures is supported by periodic reviews undertaken by the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Board of Directors of the Group.

19 Financial Risk Management *(continued)*

Capital management

The Group's capital management policy is governed by the Board of Directors of the Company. The Company's objectives of managing capital are to ensure the Company's ability to continue as a going concern and increase the net worth of the Company and shareholders' interests so as to maintain the confidence of its investors, creditors and the market and to sustain future development of the business.

Fair value

All financial assets and liabilities are stated at amortised cost or historical cost except for available for sale investments, which are measured at fair value. The fair values of the financial assets and liabilities are not materially different from their carrying values at the reporting date. The Available for sale investments qualify for Level 1, Cash and bank balances qualify for Level 2 and all other assets and liabilities are classified as Level 3 within the fair value hierarchy.

20 STATUTORY RESERVE

During the current year, the shareholders approved in the Annual General Meeting held on 18 April 2016 to discontinue transfers to the statutory reserve and transfer the reserve to retained earnings.

21 LEGAL RESERVE

As required by Article 239 of the U.A.E. Federal Law No. (2) of 2015, 10% of the profit for the year is transferred to the Legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid up share capital. Accordingly an amount of AED 3,840 thousand (31 December 2015: AED 5,058 thousand) has been transferred to Legal reserve during the year. The Legal reserve is not available for distribution.

22 OPERATING SEGMENTS

The principal activities of the Group are to invest in companies and enterprises in the fields of education and healthcare and managing, developing and operating such companies and enterprises. The Group has made investment in one subsidiary and one associate in Saudi Arabia in the field of healthcare and other investment is made is in the field of Education in UAE as at 31 December 2016. The detailed information is disclosed in Note 4 and 5 of these consolidated financial statements.

23 DIVIDENDS

On 18 April 2016, a cash dividend of AED 0.015 per ordinary share was approved by the shareholders at the AGM, as proposed by Board of Directors in respect of 2015, and subsequently paid.

24 COMPARATIVE FIGURES

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these consolidated financial statements.