TNI ANNUAL REPORT

2018

المستثمر الوطني
The National Investor

HH SHEIKH
ZAYED BIN SULTAN AL NAHYAN

Late President of the United Arab Emirates

HH SHEIKH
KHALIFA BIN ZAYED AL NAHYAN

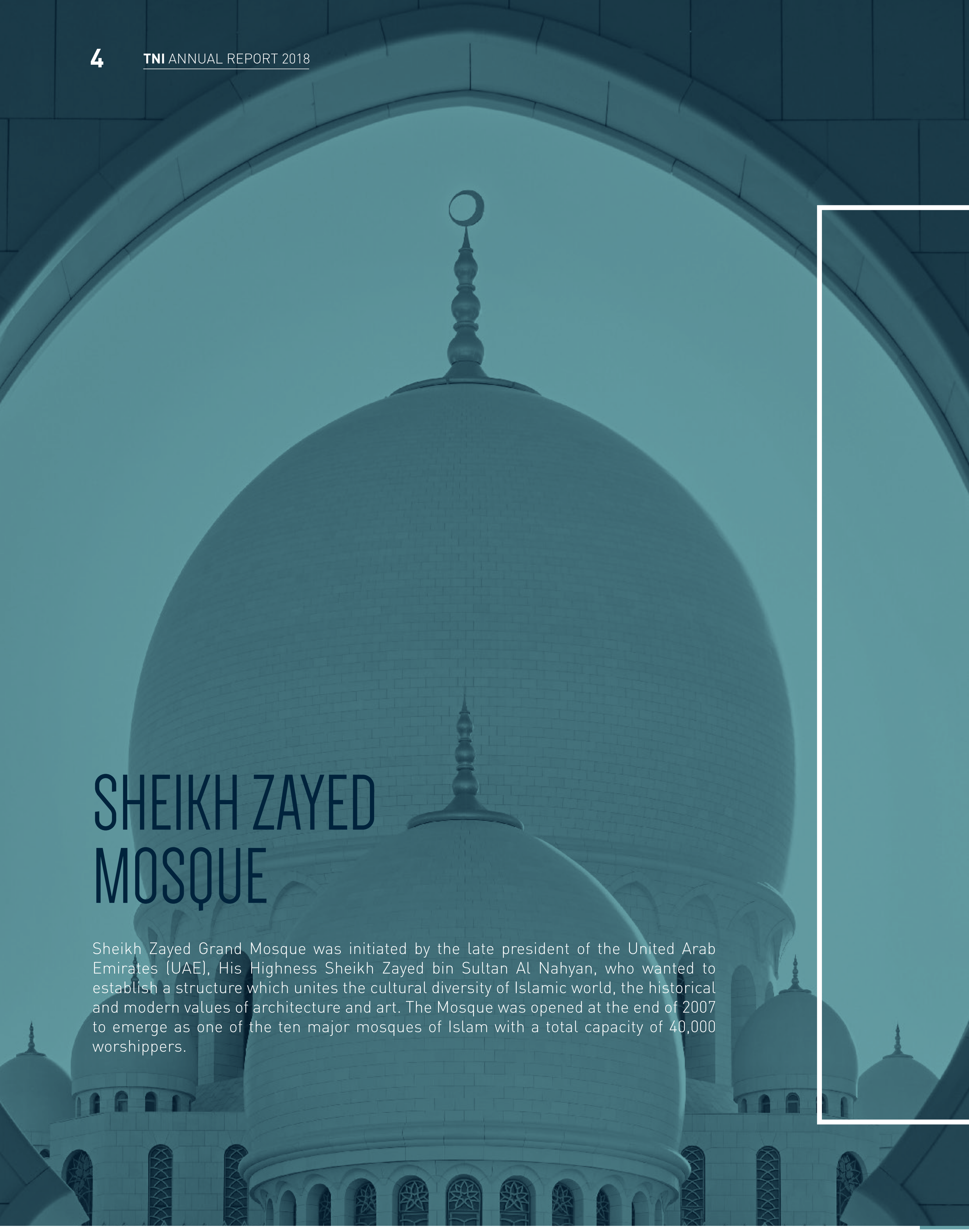
President of the United Arab Emirates
and Ruler of Abu Dhabi

HH SHEIKH
MOHAMED BIN RASHID AL MAKTOUM

Vice President of the United Arab Emirates,
Prime Minister and Ruler of Dubai

HH GENERAL SHEIKH
MOHAMED BIN ZAYED AL NAHYAN

Crown Prince of Abu Dhabi and Deputy
Supreme Commander of the UAE Armed Forces



SHEIKH ZAYED MOSQUE

Sheikh Zayed Grand Mosque was initiated by the late president of the United Arab Emirates (UAE), His Highness Sheikh Zayed bin Sultan Al Nahyan, who wanted to establish a structure which unites the cultural diversity of Islamic world, the historical and modern values of architecture and art. The Mosque was opened at the end of 2007 to emerge as one of the ten major mosques of Islam with a total capacity of 40,000 worshippers.

BOARD MEMBERS 2018

Abubaker Seddiq Alkhoori	Chairman
Dr. Sabah Hamad Al Binali	Vice Chairman
Ali Alzaabi	Board Member
Saeed Almasoud	Board Member
Raman Subramaniam	Board Member
Parthena Koronidi	Board Member
Youssef Alami	Board Member
Madhav Nayak	Board Member

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The national investor private joint stock company chairman's report and consolidated financial statements 31 December 2018

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CHAIRMAN'S REPORT

For the year ended 31 December 2018

Dear Shareholders,
On behalf of the Board of Directors, I am pleased to present the Annual Report of The National Investor for the fiscal year 2018.

Financial Performance

The year 2018 saw considerable volatility in the markets that TNI operates in and in particular the financial, hospitality and real estate markets. Against this challenging backdrop, the group delivered a consolidated net loss of AED 7.5 million that is attributable to equity holders of the parent company (FY 2017 net income: AED 7.4 million).

The following represents a brief narrative on fiscal year variances in comparison to prior year. A detailed discussion will also follow that outlines performance by major assets.

1. TNI's core businesses of investment banking and asset management saw a drop in revenue of AED 1.8 million;
2. Proprietary trading saw mixed results with trading portfolio revenue dropping AED 4.5 million and the defensive dividend yield portfolio revenue climbing AED 2.5 million for a net decrease of AED 2 million;
3. Real estate consultancy and hospitality dropped by 8.3% for a decrease of AED 8.7 million;
4. Share of profit from equity-accounted associates (continuing operations) decreased by AED 3.7 million;
5. Share of loss from equity-accounted joint ventures (discontinued operations) increased by AED 6.7 million;
6. Other revenues and interest income increased by AED 1.8 million; and
7. Expenses declined by AED 5.5 million.

Consolidated assets stood at AED 765 million compared to AED 782 million in the previous year. Our current asset base includes a consolidated cash position of AED 173 million. Leverage ratio at a consolidated level remained at healthy levels of 5% and total equity attributable to the parent company and stood at AED 646 (FY 2017: AED 663 million).

Operating Environment of Group Assets and Highlights

TNI assets operate in a variety of industries that have a cyclical nature. We'd like to share with you the performance of our major subsidiaries and associates during the twelve months year-ended 31 December 2018:

1. Mafraq Hotel:
Despite the Hospitality market's negative trends during the first half of the year, Mafraq Hotel managed to deliver a positive EBITDA of AED 7.3 million on the back of improved average year to date occupancy rates of 82% and a rationalized cost base. The continued pressure on industry margins resulted in average room rates witnessing a 13% decline. Further and in light of the continued pressure on room rate, the Hotel's term loan was rescheduled during the year to approximate the Hotel's projected financial performance. We believe the revised term loan commitments will improve the Hotel's overall liquidity profile.

2. Colliers Group:
The real estate sector in the UAE and Saudi Arabia has seen a dramatic decline in the past year. Colliers' Group underperformed when compared to previous year, it recorded a small loss equal to AED 0.7 million. The drop in performance was driven by a reduction in both fee levels and volumes as result of fewer consultancy projects and subdued client activity that dominated H2 2018.

3. National Catering Company:
TNI Group owns a 10% stake in NCC, a company that operates in the fields of industrial catering and facilities management. During the year, and despite the challenging market conditions, the company managed to deliver a consolidated net income of AED 63 million which was in line with their targeted net income for the year.
During the second half of 2018, the company finalized the acquisition of a majority stake in Grako and Gecko Middle East Services Co. LLC that specialize in both facilities management and industrial services. TNI acted as the financial advisor and lead manager to NCC on this transaction. We expect that such bolt-on deals will add new momentum to business growth for all parties immediately and in the long run.

CHAIRMAN'S REPORT
For the year ended 31 December 2018 [continued]

4. Al Jeyoun:
This represents our joint venture investment that was intended to develop a real estate project in Masdar city but was terminated as a result of general market conditions and weak investor sentiment towards real estate as an asset class. Accordingly, TNI together with its partners resolved to negotiate a settlement with the objective of achieving the lowest cost possible from terminating this project. The resultant impact of AED 7.5 million was TNI's share from writing-off the value of the total amount spent from inception to date.

5. Tarfeeh:
Tarfeeh Group recorded a net loss for the year of AED 2.8 million. TNI's share of the Group's consolidated net loss amounted to AED 1.1 million, an increase of AED 0.9 million from last year's reported performance. A major component of the year to date losses pertain to Goodwill impairment charges that were recognized during the year. Another factor that contributed to these losses was the weak client activity in the entertainment and sports segments, which were affected by the prevailing challenging market conditions in the retail and entertainment sectors.

Strategic Positioning and Reorganization

At the Shareholders' General Meeting held on June 6th 2018, our shareholders gave their approval to reconstitute our Board of Directors. As a result of this change, the newly elected Board of Directors held multiple focused sessions with the objective of formulating a new strategy.

The new corporate strategy will require a number of key initiatives to be implemented, including selling down underperforming assets to release capital and liquidity for growth. Emphasis will be on developing a pipeline of investment and business opportunities (private equity, public markets and real estate) in line with TNI's overall investment strategy and re-deploy the sale proceeds generated by the divestment programme. Highlights of the new strategy include:

- In Private Equity, we will develop pipeline of UAE-based transactions whereby TNI structures, leads and manages club deals (i.e. invests its own money alongside capital from co-investors). Furthermore, it builds the platform for TNI to capture advisory mandates from co-investors, clients and portfolio companies;
- In Investment Banking Advisory, we will continue focusing on generating good-quality deals that have a high likelihood of successful close. Aggressively target middle market M&A advisory and private placements business locally and potentially in KSA. Furthermore, we will aim to develop specialist capability in real estate in collaboration with Colliers;
- In Asset Management, our primary focus will be on managing niche strategies for TNI's principal book. TNI will remain the principal source of capital for the business, and
- In Real Estate, we will focus on income generation and partnership opportunities.

On behalf of the Board of Directors, I would like to thank you for your continued trust in TNI. I am optimistic about our future and confident in our ability to deliver value to our shareholders.

Chairman of the BOD

Mr. Abubaker Seddiq Alkhoori

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2018

Opinion

We have audited the consolidated financial statements of The National Investor Pr. J.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018, the consolidated statement of financial position as at 31 December 2018, the consolidated statements of changes in equity and cash flows for the year ended 31 December 2018, 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 2018, 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 conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with 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.

Valuation of financial instruments

Refer to note 13 and 14 of the consolidated financial statements

The valuation of the Group's financial instruments was a key area of focus as the fair value of financial instruments is determined through the application of valuation techniques which at some instances involves the exercise of judgement and the use of assumptions and estimates. The implementation of IFRS 9 has impacted the valuation of financial instruments. Due to the significance of financial instruments and the related uncertainty, this is considered a key audit matter.

Our response

Our audit procedures included:

- testing the design and operating effectiveness of relevant controls in the Group's financial instruments valuation process;

- assessing the valuation for the listed securities by testing valuations of listed securities directly with independent pricing sources;

- assessing the reasonableness and appropriateness of the methodology and assumptions used in ECL modelling. This included challenging key assumptions/judgments relating to significant increase in credit risk, definition of default, probability of default, recovery rates, use of macro-economic variables and probability weighted outcomes;

- We re-performed the Group's ECL models calculations and evaluated the models performance results for accuracy; and

- Assessing the adequacy of the Group's disclosure in relation to transition impact arising from first time application of IFRS 9 and use of significant estimates and judgments by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2018 [continued]

Valuation of investment properties

Refer to note 17 of the consolidated financial statements.

The Group's accounting policy is to measure investment property initially at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair values are estimated as at the consolidated statement of financial position date by applying a valuation model recommended by an external valuer. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss. Due to the significance of these properties and the impact on the consolidated statement of profit or loss and related estimation uncertainty, this is considered a key audit matter.

The valuation of the investment properties is a significant judgment and is driven by a number of key assumptions. The judgment applied is supported by independent valuations by experienced valuers. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the carrying value, whether deliberate or not, could lead to an understatement/overstatement of profit or loss and other comprehensive income for the year.

Our response

Our audit procedures included:

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

- obtaining the external valuation reports for a sample of properties and assessing whether the valuation was suitable for use in determining the carrying value in the consolidated statement of financial position; and

- determining the adequacy of the disclosure in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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 IFRS 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.

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

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2018 [continued]

Auditors' 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 auditors' 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 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 skepticism 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 auditors' 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 auditors' 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2018 [continued]

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 year and are therefore the key audit matters. We describe these matters in our auditors' 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 Chairman's report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- as disclosed in notes 13 and 14 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;
- note 26 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 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Group's Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018.

Further, as required by the UAE Union Law No. (14) of 2018, as amended, we report that we have obtained all the other information and explanations we considered necessary for the purpose of the audit.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates

Date: 17 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 AED'000	2017 AED'000
Fee and service income	*6*	**98,410**	108,919
Net income from investments carried at fair value through profit and loss	*7*	**6,462**	11,008
Dividend income from investments carried at fair value through other comprehensive income		**3,482**	929
Share of profit of associates		**3,208**	6,957
Share of loss of joint venture	*16*	**(7,525)**	(814)
Interest income	*8*	**3,379**	2,690
Other income		**2,427**	1,286
		109,843	**130,975**
Operating expenses		**(14,821)**	(19,464)
General and administrative expenses	*9*	**(25,043)**	(25,217)
Staff costs	*10*	**(62,733)**	(65,783)
Depreciation	*18*	**(9,535)**	(9,200)
Interest expense	*11*	**(2,284)**	(2,305)
Impairment losses on trade receivables	*32*	**(2,271)**	(267)
		(116,687)	(122,236)
(Loss) / profit for the year		**(6,844)**	**8,739**
Attributable to:			
Shareholders of the Company		**(7,535)**	7,388
Non-controlling interests		**691**	1,351
		(6,844)	8,739
Basic earnings per share (AED) (note 28)		**(0.013)**	**0.013**

The notes set out on pages 22 to 70 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 AED'000	2017 AED'000
(Loss) / profit for the year	**(6,844)**	8,739
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss		
Fair value loss on financial assets carried at fair value through other comprehensive income	**(4,531)**	(4,990)
Loss from sale on financial asset carried at fair value through other comprehensive income	(49)	-
	(4,580)	(4,990)
Other comprehensive loss	**(4,580)**	(4,990)
Total comprehensive (loss) / income	**(11,424)**	**3,749**
Attributable to:		
Shareholders of the Company	**(12,115)**	2,398
Non-controlling interests	**691**	1,351
	(11,424)	**3,749**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Note	2018 AED'000	2017 AED'000
Assets			
Cash and bank balances	*12*	**172,929**	143,808
Investments carried at fair value through profit or loss	*13*	**95,752**	55,567
Investments carried at fair value through other comprehensive income	*14*	**27,905**	88,945
Amounts due from related parties	*26*	**138**	7,310
Investments in associates	*15*	**95,359**	98,615
Investment in joint venture	*16*	**21,661**	29,186
Investment properties	*17*	**110,454**	110,514
Intangible assets		**1,056**	1,117
Property, fixture and equipment	*18*	**205,492**	214,150
Other assets	*19*	**34,578**	33,182
Total assets		**765,324**	**782,394**
Liabilities			
Term loans	*20*	**35,686**	36,425
Other liabilities	*21*	**28,611**	25,884
Amounts due to related parties	*26*	**16**	97
Total liabilities		**64,313**	**62,406**
Equity			
Share capital	*22*	**577,500**	577,500
Legal reserve	*23*	**58,949**	58,949
Statutory reserve	*24*	**50,526**	50,526
Fair value reserve		**(46,534)**	(31,627)
Retained earnings		**5,621**	7,686
Equity attributable to Shareholders of the Company		**646,062**	663,034
Non-controlling interests	*5*	**54,949**	56,954
Total equity		**701,011**	719,988
Total liabilities and equity		**765,324**	**782,394**

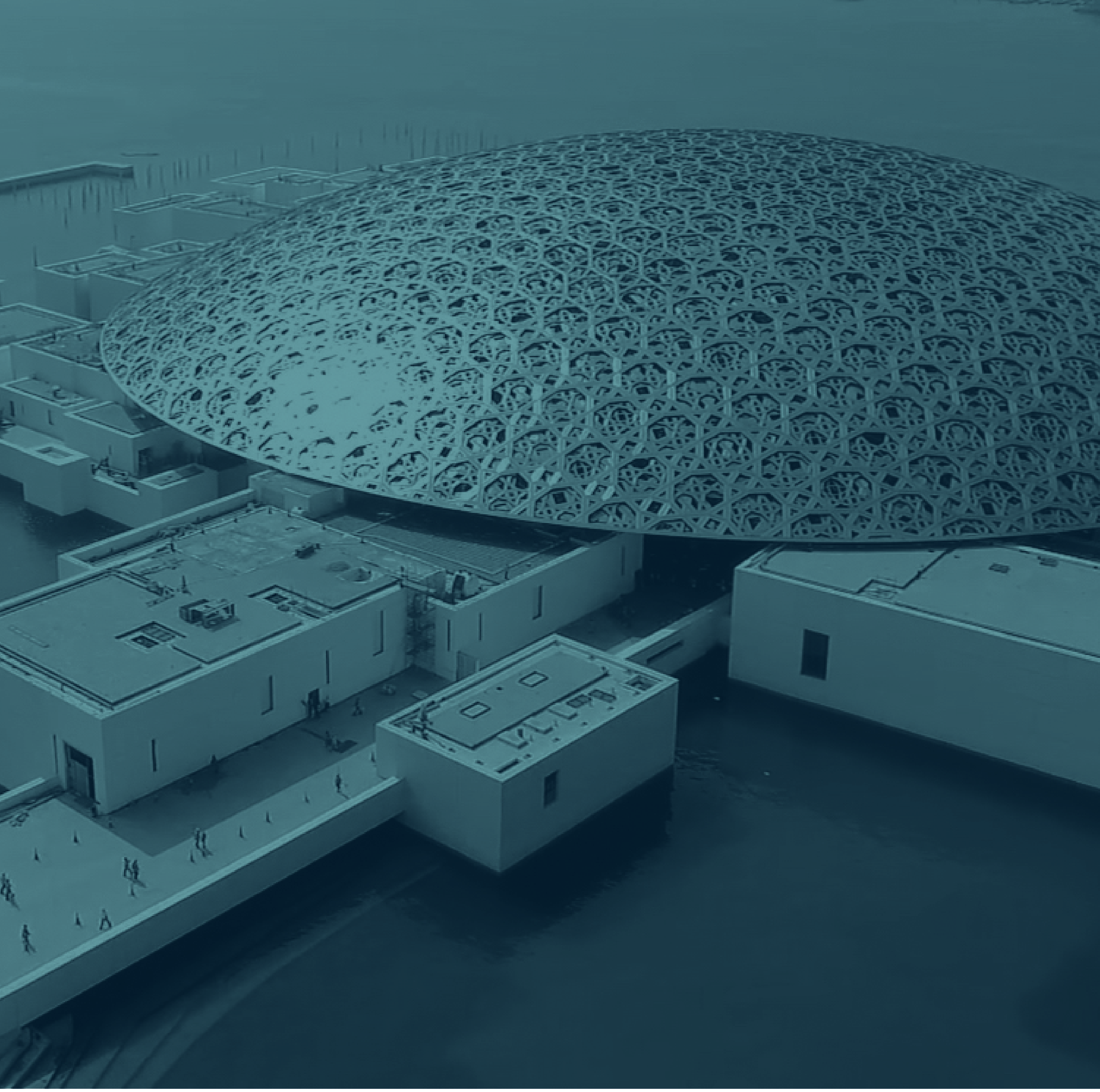
These consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 March 2019, and signed on their behalf by:

Mr. Abubaker Seddiq Alkhoori
Chairman

Mr. Yasser Geissah
Chief Executive Officer

LOUVRE ABU DHABI

Is the first museum of its kind in the Arab world: a universal museum that focuses on shared human stories across civilizations and cultures. The origins of the louvre date back to 2007, when France and the United Arab Emirates came together to develop a new kind of cultural institution. The result is a museum rooted in universal human values.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000
Balance at 1 January 2017	577,500	58,186	49,763
Profit for the year	-	-	-
Other comprehensive loss	-	-	-
Transfer to legal reserves *(note 23)*	-	763	-
Transfer to statutory reserves *(note 24)*	-	-	763
Change in non-controlling interests	-	-	-
Balance at 31 December 2017	**577,500**	**58,949**	**50,526**
Balance at 1 January 2018	577,500	58,949	50,526
Effect of adopting IFRS 9 *(note 32)*	-	-	-
Restated balance at 1 January 2018	577,500	58,949	50,526
Loss for the year	-	-	-
Other comprehensive loss	-	-	-
Cumulative changes in assets carried at fair value through other comprehensive income	-	-	-
Transfer to legal reserves *(note 23)*	-	-	-
Transfer to statutory reserves *(note 24)*	-	-	-
Change in non-controlling interests	-	-	-
Balance at 31 December 2018	**577,500**	**58,949**	**50,526**

The notes set out on pages 22 to 70 are an integral part of these consolidated financial statements.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 [continued]

Fair value reserve AED'000	Retained earnings AED'000	Attributable to equity holders of parent AED'000	Non-controlling interests AED'000	Total AED'000
(26,637)	1,824	660,636	56,983	717,619
-	7,388	7,388	1,351	8,739
(4,990)	-	(4,990)	-	(4,990)
-	(763)	-	-	-
-	(763)	-	-	-
-	-	-	(1,380)	(1,380)
(31,627)	**7,686**	**663,034**	**56,954**	**719,988**
(31,627)	7,686	663,034	56,954	719,988
-	(4,324)	(4,324)	-	(4,324)
(31,627)	3,362	658,710	56,954	715,664
-	(7,535)	(7,535)	691	(6,844)
(4,531)	-	(4,531)	-	(4,531)
(10,376)	9,794	(582)	-	(582)
-	-	-	-	-
-	-	-	-	-
-	-	-	(2,696)	(2,696)
(46,534)	**5,621**	**646,062**	**54,949**	**701,011**

The notes set out on pages 22 to 70 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 13.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 AED'000	2017 AED'000
Cash flows from operating activities			
Loss) / profit for the year)		**(6,844)**	8,739
Adjustments for:			
Depreciation		**9,535**	9,200
Amortisation of intangible assets		**61**	59
Share of profit of associates		**(3,208)**	(6,957)
Share of loss of joint venture		**7,525**	814
Net (income) / loss from investments carried at FVTPL		**(2,488)**	1,683
Impairment losses on trade receivables		**2,271**	267
Interest income		**(3,379)**	(5,230)
Interest expense		**2,284**	2,305
Provision for employees' end of service benefits		**2,648**	2,600
Dividend income from investments carried at FVTOCI		**(3,482)**	(929)
		4,923	12,551
Changes in:			
Amounts due from related parties		**7,172**	(7,051)
Other assets		**(7,195)**	50,398
Other liabilities		**2,158**	(17,045)
Amounts due to related parties		**(81)**	-
Non-controlling interest		**(2,696)**	(1,380)
Employees' end of service benefits paid		**(2,367)**	(2,062)
Net cash from operating activities		**1,914**	**35,411**

The notes set out on pages 22 to 70 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 13.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 [continued]

	Note	2018 AED'000	2017 AED'000
Cash flows from investing activities			
Purchase of property, fixtures and equipment, net		**(877)**	(6,190)
Capitalization on investment properties		**-**	(52)
Net revaluation loss on investment properties		**60**	36
Proceeds from sale of investments carried at fair value through profit or loss		**61,880**	163,643
Acquisition of investments carried at FVTPL		**(71,145)**	(172,697)
Proceeds from partial redemption of investment in FVTOCI		**29,428**	32,577
Acquisition of investment in joint venture		**-**	(30,000)
Proceeds from partial redemption of investment in associate		**-**	4,049
Proceeds from profit distribution of investment in associate		**4,499**	3,399
Term deposits		**(4,907)**	18,099
Interest income received		**2,889**	5,690
Dividend income received from investments carried at fair value through other comprehensive income		**3,482**	929
Net cash from investing activities		**25,309**	**19,483**
Cash flows from financing activities			
Repayment of term loans		**(31,177)**	(37,036)
Proceeds from term loans		**30,438**	282
Interest paid		**(2,270)**	(2,381)
Net cash used in financing activities		**(3,009)**	**(39,135)**
Net increase in cash and cash equivalents		**24,214**	15,759
Cash and cash equivalents at 1 January		**98,715**	82,956
Cash and cash equivalents 31 December	**12**	**122,929**	**98,715**

The notes set out on pages 22 to 70 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 10 to 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 Legal status and principal activities

The National Investor Pr.J.S.C. (the "Company") is registered in Abu Dhabi, United Arab Emirates ("UAE") and is listed on the Abu Dhabi Securities Exchange as a Private Joint Stock Company. The Federal Law No. (2) of 2015 concerning commercial companies has come into effect on 1 July 2015, replacing the existing Federal Law No. 8 of 1984. In 2001, the Company received approval from the Central Bank of the UAE to conduct financial investment business as an investment company in accordance with the Central Bank's Board of Directors' Resolution No. 164/8/94 dated 18 April 1995 regarding the regulations for investment companies and banking and investment consultation companies. The Company is regulated by Securities and Commodities Authority "SCA" and licensed to conduct investment management, management and financial advisory activities.

The Company and its subsidiaries (together referred as the "Group") are managed as an integrated investment and financial services company.

The principal activities of the Group are investment banking, asset management, private equity, funds and securities investment, hospitality, third party real estate and provision of consultancy.

The registered head office of the Company is at P.O. Box 47435, Abu Dhabi, United Arab Emirates.

These consolidated financial statements of the Group were authorised and approved for issue by the Board of Directors on 17 March 2019.

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 UAE.
This is the first set of the Group's annual consolidated financial statements in which IFRS 15 revenue from contracts with customers and IFRS 9 financial instrument have been applied. Changes to significant accounting policies are described in note 32.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties that are measured at fair values as explained in the accounting policies below.

(c) *Functional and reporting currency*

The consolidated financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Group and all values are rounded to the nearest AED thousands, except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

3 Basis of consolidation

The accompanying consolidated financial statements comprise of the financial statements of the Company and its subsidiaries. The details of the Company's subsidiaries and their principal activities are as follows:

	Country of incorporation	Ownership interest % 31 December 2018	31 December 2017	Principal activity
Operating entities				
Mainland Management LLC	U.A.E.	**67**	67	Real estate investments
Falcon Investments LLC	U.A.E.	**100**	100	Property management, advisory and investment brokerage services
National Investor Property Management LLC - a subsidiary of Falcon Investments LLC	U.A.E.	**100**	100	Advisory and consultancy services
Robert Flanagan Arabian Management Consultancy LLC – a subsidiary of Falcon Investments LLC	U.A.E.	**51**	51	Management consultancy services
Professional Realtors Company Ltd- a subsidiary of Falcon Investments LLC	K.S.A.	**80**	80	Real estate and consultancy
Uptown Management LLC	U.A.E.	**100**	100	Real estate investments
Uptown Investment LLC	U.A.E.	**100**	100	Real estate investments
Mainland Investment LLC	U.A.E.	**100**	100	Real estate investments
Mafraq Hotel – a subsidiary of Mainland Investment LLC	U.A.E.	**100**	100	Hospitality services
MENA Real Estate Solutions LLC	U.A.E.	**100**	100	Real estate and consultancy
Colliers International Property Services LLC – a subsidiary of Falcon Investments LLC	Qatar	**100**	100	Real estate and consultancy service
Colliers International Property Consultancy - a subsidiary of Falcon Investments LLC	Egypt	**100**	100	Real estate and consultancy service
Special purpose entities				
United Capital LLC	U.A.E.	**100**	100	Asset Management
Fidelity Invest LLC (owned by The National Investor Pr.J.S.C. One Man Company LLC)	U.A.E.	**100**	100	Asset Management
Al Dhafra Capital LLC	U.A.E.	**100**	100	Asset Management
TNI Capital Partners Limited	Cayman Islands	**100**	100	Private Equity Funds
TNI General Partners Limited	Cayman Islands	**100**	100	Private Equity Funds
Blue Chip Capital LLC	U.A.E.	**100**	100	Asset Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

3 Basis of consolidation (continued)

(a) 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.

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.

(b) Subsidiaries

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved when the Group has:

- power over the investee;
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary's profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests.

Total comprehensive income of the subsidiaries is attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

3 Basis of consolidation (continued)

(b) Subsidiaries (continued)

Intragroup balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to the owners of the Group.

(c) Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (issued in 2010), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(d) Foreign currencies

In preparing the consolidated financial statements, each individual Group entity's transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Special purpose vehicles ('SPVs')

Special purpose vehicles are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of assets, or the execution of a specific financing transaction. An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPV's risk and rewards, the Group concludes that it controls the SPV.

(f) Fiduciary activities

The Group acts as a trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the consolidated financial statements as they are not assets of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

3 Basis of consolidation (continued)

(g) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting from the date on which the investment becomes an associate of joint venture. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost, including transaction cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures.

When the Group's share of losses of associates and joint ventures exceeds the Group's interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates and joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

The requirements of International Financial Reporting Standards are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment and charged to statement of profit or loss. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is financial asset, the Group measures the retained interest at fair value at that date and this fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

3 Basis of consolidation (continued)

(g) Investment in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Upon disposal of associates and joint ventures that results in the Group losing significant influence over that associates and joint ventures, any retained investment. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to the associates and joint ventures on the same basis as would be required if the associates and joint ventures had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the associates and joint ventures would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associates and joint ventures.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Group consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4 Significant accounting policies

(a) Summary of significant accounting policies

Recognition of income and expenses

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Fee and service income
Fee and income from services provided by the Group during the year are recognised on an accrual basis when the services are rendered and no significant uncertainties remain regarding the recovery of consideration due. Fees that are earned on the execution of a significant act are recognised as revenue when the significant act has been completed.

Interest income and expenses
Interest income comprises income on call, sukuk and time deposit accounts and is recognised in the consolidated statement of profit or loss as it accrues using the effective interest method. Interest expense is comprised of borrowing costs on loans and recognised in statement of profit or loss using the effective interest method. Borrowing costs on qualifying assets are capitalised in the cost of qualifying asset.

Dividend income
Dividend income is recognised when the Group's right to receive the payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value basis, with changes in fair value recognised under profit and loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised. Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Property, fixture and equipment

Property, fixture 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 over their estimated useful lives using the straight-line method as follows:

Leasehold improvements	***3 - 4 years***
Buildings	***30 years***
Furniture and fixtures	***3 - 7 years***
Office equipment	***2 - 10 years***
Motor vehicles	***3 - 5 years***

Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.
An item of property, fixture 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, fixture 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.

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss, if any. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, financing costs capitalised in accordance with the Group accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, fixture and equipment category and is depreciated in accordance with the Group's policies.

Cash and bank balances

Cash and bank balances in the statement of financial position compromise of cash at banks, cash on hand and term deposits.

For the purpose of consolidated statement of cash flows, cash and bank balances consist of cash in hand, bank balances, and short term deposits with an original maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

Financial assets - Policy applicable before 1 January 2018

Initial recognition
Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Initial measurement
Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost and effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition. Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis measured subsequently at amortised cost.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in sharia compliant equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

FVTOCI assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposals.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment at fair value through other comprehensive income (FVTOCI) on initial recognition. Financial assets (other than equity instruments) that do not meet the amortised cost criteria are measured at FVTPL. In addition, financial assets (other than equity instruments) that meet the amortised cost criteria but are designated as FVTPL are measured at FVTPL. Financial assets (other than equity instruments) may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

The Group has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit/loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the 'net income from investments carried at fair value through profit and loss' line item in the consolidated statement of profit or loss.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at each reporting date. Financial assets measured at amortised cost are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include, however not limited to:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in profit or principal payments;
- it becoming probable that the customer will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, calculated using the financial asset's original effective profit rate.

The carrying amount of the financial asset measured at amortised cost is reduced by the impairment loss directly for all financial assets with the exception of investing assets, where the carrying amount is reduced through the use of an impairment allowance account. When the investing assets are considered uncollectible, it is written off against the impairment allowance account. Subsequent recoveries of amounts previously written off are credited against the impairment allowance account. Changes in the carrying amount of the impairment allowance account are recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment - Policy after 1 January 2018

Financial instruments and contract assets
The group recognises loss allowances for ECLs on:

- Trade receivables and prepayment;
- Deposits for markets guarantee; and
- Due from securities markets and bank balance.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.
The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Impairment - Policy after 1 January 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asses. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised financing for the proceeds received.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of profit or loss.
On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated statement of profit or loss, but is transferred to retained earnings within equity.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions. The Group is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Financial assets and financial liabilities

i. ***Recognition and initial measurement***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. ***Classification and subsequent measurement***

Financial assets- policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments. Refer to note 29 on business segment reporting.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(a) Summary of significant accounting policies (continued)

Employees' benefits

Employees terminal benefits

UAE nationals employed by the Group are registered in the scheme managed by the General Pension and Social Security Authority. Contributions to that scheme are charged as an expense. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated service at the reporting date and in accordance with the Company's internal regulations, which comply with the UAE Federal Labour Law.

Short term employee benefits

Short-term employee obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

Fair value measurement - Policy applicable before 1 January 2018

The Group measures financial instruments, such as available for sale assets, FVTOCI, and financial assets at fair value through profit and loss, at fair value at each statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The Group uses the following hierarchy for determining and disclosing fair value by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2018:

- IFRS 15 Revenue from contracts with customers;
- IFRS 9 Financial Instruments;
- Transfers of Investment Property (Amendments to IAS 40);
- Annual Improvements to IFRSs 2014-2016 cycle (Amendments to IFRS and IAS 28); and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The impact of adopting IFRS 9 and IFRS 15 on the Group's consolidated financial position and performance is further explained in note 32 to the consolidated financial statements. The adoption of the other standards and interoperations above had no significant impact on the Group's consolidated financial position or performance.

(c) Future changes in accounting policies – Standards issued but not yet effective as at 31 December 2018

Standards issued but not yet effective up to the date of the issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- IFRS 16: Leases (Effective by 1 January 2019);
- Long-term interest in Associates and Joint Ventures (Amendments to IAS 28); and
- Annual Improvements to IFRS standards 2015-2017 cycle - various standards.

The Group intends to adopt the above IFRSs when they become effective.

IFRS 16 Leases

The IASB issued a new standard for accounting for leases in January 2018. a) The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. b) Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'shortterm' leases and leases of 'low-value' assets. c) Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the consolidated statement of profit or loss. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. The Group has assessed the impact of the above standard. Based on the assessment, the above standard has no significant impact on the consolidated financial statements of the Group as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

4 Significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions

Estimates and assumptions

Classification of investments in subsidiaries and associates

Management performed an assessment on the extent of control or influence over the entities considered subsidiaries and associates. Management is satisfied that the investments are appropriately classified after consideration of the Group's control or influence over the operational and financial policies of these entities.

Useful lives of property, fixtures and equipment

The Group determines the estimated useful lives of its property, fixtures and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss.

Impairment of trade and other receivables and due from related parties

An estimate of the collectible amount of trade and other receivables and due from related parties is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment and ECL caluclation. Management believes that the recorded provision is sufficient to cover anticipated losses.

At the statement of financial position date, gross trade receivables and amounts due from related parties were AED 33.8 million and AED 138 thousand respectively (31 December 2017: AED 27.9 million and AED 7.3 million), with provision for doubtful debts amounting to AED 9.7 million (31 December 2017: AED 4.1 million).

Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the consolidated statement of profit or loss.

Valuation of unquoted equity investments

Valuation of unquoted equity investments carried at fair value through other comprehensive income and carried at fair value through profit and loss are normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. Management believes that the unquoted equity investments are properly stated at fair value as of 31 December 2018.

Fair value of investment properties

In order to assess the fair value of investment properties, the Group engages the services of professional appraisers. Management believes that the appraised value reflects the true fair value of properties in light of current economic situations. The total fair value of investment properties at 31 December 2018 amounted to AED 110.5 million (31 December 2017: AED 110.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

5 Non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Portion of equity interest held by non-controlling interests:

	2018	2017
Mainland Management LLC	***33%***	33%

Accumulated balances of non-controlling interest

	2018 AED'000	2017 AED'000
Mainland Management LLC	***51,094***	52,049

Loss allocated to material non-controlling interests

Mainland Management LLC	**(956)**	(754)

The table below shows the summarised financial information of the subsidiary which have material non-controlling interest:

Mainland Management LLC

	2018 AED'000	2017 AED'000
Total assets	**182,564**	182,564
Total liabilities	**29,407**	26,416
Total equity	**153,157**	156,148
Loss for the year	**(2,870)**	(2,262)

6 Fee and service income

	2018 AED'000	2017 AED'000
Consultancy and other service income	***65,281***	71,065
Revenue from hotel services	***30,709***	33,580
Investment banking fees	***1,404***	2,127
Asset management fees	***1,016***	2,147
	98,410	*108,919*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

6 Fee and service income

a. ***Disaggregation of fee and service income***

In the following table, fee and service income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and service income with the Group's reportable segments:

	2018 AED'000	2017 AED'000
Major service lines		
Consultancy and other service income	65,281	71,065
Revenue from hotel services	30,709	33,580
Investment banking fees	1,404	2,127
Asset management fees	1,016	2,147
Total fee and service income from contract with customers	98,410	108,919

The fee and service income presented in the note includes income relating to financial assets and liabilities not measured at fair value through profit or loss. These figures exclude amounts incorporated in determining the effective interest rate on such financial reporting.

b. ***Contract balances***

As at 31 December 2018, the Group did not have any contract assets or liabilities related to the services provided.

7 Net income from investments carried at FVTPL

	2018 AED'000	2017 AED'000
Realised (loss) / gain on disposal, (net)	(974)	6,355
Unrealised revaluation gain / (loss), (net)	2,277	(1,552)
Interest income from Sukuk	1,835	2,540
Dividend income	3,324	3,665
	6,462	11,008

8 Interest income

	2018 AED'000	2017 AED'000
Time deposits	3,266	2,659
Call accounts	113	31
	3,379	2,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

9 General and administrative expenses

	2018	2017
	AED'000	AED'000
Business development	**5,674**	3,479
Utilities	**5,035**	5,555
Professional fees	**2,488**	2,864
IT and telecommunication	**2,236**	3,967
Rent expense	**2,272**	2,602
Insurance	**836**	926
Bank charges	**512**	663
Others	**5,990**	5,161
	25,043	25,217

10 Staff costs

	2018	2017
	AED'000	AED'000
Staff costs - corporate	**12,351**	13,824
Staff costs - subsidiaries	**50,382**	51,959
	62,733	65,783

11 Interest expense

	2018	2017
	AED'000	AED'000
Term loans	**1,762**	1,642
Others	**522**	663
	2,284	2,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

12 Cash and bank balances

	2018	2017
	AED'000	AED'000
Cash in hand	***106***	101
Call and current accounts with banks	***28,642***	38,720
Term deposits	***144,181***	104,987
Bank balances and cash	***172,929***	143,808
Less: bank deposits with maturities over three months	***(50,000)***	(45,093)
	122,929	*98,715*

Bank deposits carry interest rates ranging from 2.1% to 3.5% (31 December 2017: 0.5% to 4.7%) per annum.

13 Investments carried at fair value through profit or loss

	2018	2017
	AED'000	AED'000
Listed equity securities	***72,528***	55,567
Investment in Sukuk	***23,224***	-
	95,752	*55,567*

Movement in financial investments at fair value through profit or loss:

Balance at the beginning of the year	***55,567***	48,196
Effect of adopting IFRS 9:		
Reclassified from financial investment at FVTOCI	***28,432***	-
Change in fair value during the year	***2,488***	(1,683)
Additions during the year	***71,145***	172,697
Disposal during the year	***(61,880)***	(163,643)
Balance at the end of the year	***95,752***	*55,567*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

14 Investments carried at fair value through other comprehensive income

	2018	2017
	AED'000	AED'000
Listed equity securities	**15,727**	37,541
Investment in equity funds	**9,678**	12.286
Investment in Sukuk	**-**	36,618
Commercial paper	**2,500**	2,500
	27,905	*88,945*

Movement in financial investments at fair value through other comprehensive income

Balance at the beginning of the year	**88,945**	123,854
Effect of adopting IFRS 9:		
Reclassified to financial investment at FVTPL	**(28,432)**	-
Change in fair value during the year	**(2,293)**	(2,333)
Investments in Sukuk matured during the year	**(8,490)**	-
Additions during the year	**-**	-
Disposal during the year	**(21,825)**	(32,576)
Balance at end of the year	***27,905***	*88,945*

15 Investments in associates

The Group has the following investments in associates which are accounted for using the equity method.

	Country of incorporation	Ownership interest %	Principal activity
National Entertainment LLC	U.A.E.	40.00 %	Entertainment services
TNI Blue Chip Fund	U.A.E.	48.18 %	Asset management
Growth Capital Fund	Cayman Island	35.70 %	Asset management
National Catering Company LLC	U.A.E.	10.00 %	Catering services and facility management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

15 Investments in associates

Summarised financial information of the associates is set out below.

	2018	2017
	AED'000	AED'000
Associates' statement of financial position		
Assets	**638,720**	652,716
Liabilities	**(202,681)**	(202,147)
Net assets	**436,039**	450,569
Group's share of net assets	**95,359**	98,615
Carrying amount of investment in associates	**95,359**	98,615
Associates' revenue and profit:		
Revenue	**796,255**	791,210
Profit for the year	**58,454**	67,084
Group's share of profit for the year	**3,208**	6,957

As of 31 December 2018, the Group's share of the contingent liabilities of associates (corporate guarantees) amounted to AED nil (31 December 2017: AED nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

16 Investment in joint venture

The Group had the following investment in joint venture which are accounted for using the equity method.

	Country of incorporation 2018	*Ownership interest % 31 December 2017*	*Ownership interest % 31 December*
Al Jeyoun Limited	U.A.E.	46.875%	43.860%

Summarised financial information of the joint venture is set out below.

	2018	2017
	AED'000	AED'000
Joint venture's statement of financial position		
Assets	**46,620**	73,729
Liabilities	**(411)**	(7,193)
Net assets	**46,209**	66,536
Group's share of net assets	**21,661**	29,186
Carrying amount of investment in joint venture	***21,661***	***29,186***

	2018	2017
	AED'000	AED'000
Joint venture's revenue and loss		
Revenue	**-**	-
Loss for the year	**(15,924)**	(1,851)
Group's share of loss for the year	***(7,525)***	*(814)*

17 Investment properties

	2018	2017
	AED'000	AED'000
Opening balance	**110,514**	112,272
Transfer to property, fixture and equipment	**-**	(1,774)
Net revaluation loss	**(60)**	(36)
Capitalised expenses	-	52
	110,454	110,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

17 Investment properties (continued)

The Group owns two plots of land for which the Group has the intention to construct investment properties, therefore these plots of land have been classified as investment properties. The Group also owns an office floor in a commercial tower that is held to earn rental income which is classified as investment property.

Investment properties are stated at fair value, which were determined by reference to a valuation carried out by an independent valuer not related to the Group. The valuation, which conforms to the Royal Institution of Chartered Surveyors Valuation Standards, was arrived at by considering the residual method and direct sales comparison method of valuation for each of the land plots and office floor respectively.

The following illustrates the analysis of investment properties recorded at fair value by level of hierarchy:

	Date of valuation	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
31 December 2018					
Investment properties – plots of land	7 Feb 2019	**90,200**	-	-	**90,200**
Investment properties – office units	3 Feb 2019	**20,254**	-	-	**20,254**
31 December 2017					
Investment properties – plots of land	11 Dec 2017	91,300	-	-	91,300
Investment properties – office units	10 Dec 2017	19,214	-	-	19,214

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	*Significant unobservable inputs*	*Range*
Plot C13 - Residential	Residual method	Finance costs Construction time frame Gross development area Rent	6% 30 months 280,906 sq ft. AED 60,000 studio / AED 80,000 1 room / AED 110,000 2 room / AED 135,000 3 room apartment
Plot C7 - Commercial	Residual method	Finance costs Construction time frame Gross development area Net lettable area Rent	6% 24 months 299,000 sq ft. 239,200 sq ft. AED 153/sq ft.
Office units	Direct sales comparison method	Sales rate	AED 1,350/sq. ft

The residual valuation approach is the valuation method accepted by the Royal Institution of Chartered Surveyors for valuing developments and opportunities which take time to come to fruition. The residual approach works on the premise that the price a hypothetical purchaser will pay for the land or development opportunity is the surplus remaining after the costs of construction, purchase and sale costs, the cost of finance and an allowance for the profit required to undertake the project have been deducted from the sales price of the completed development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

18 Property, fixtures and equipment

	Freehold land AED'000	Leasehold improvements AED'000	Buildings AED'000
Cost			
At 1 January 2018	61,506	2,529	201,264
Additions	-	-	-
Disposals	-	-	-
Write off	-	-	-
At 31 December 2018	**61,506**	**2,529**	**201,264**
Accumulated depreciation			
At 1 January 2018	-	1,392	51,021
Charge for the year	-	292	6,030
Disposals	-	-	-
Write off	-	-	-
At 31 December 2018	**-**	**1,684**	**57,051**
Net carrying amount after impairment			
At 31 December 2018	**61,506**	**845**	**144,213**
Impairment			
At 31 December 2017	3,655	-	5,064
At 31 December 2018	**3,655**	**-**	**5,064**
Net carrying amount after impairment			
At 31 December 2018	**57,851**	**845**	**139,149**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
9,535	24,263	1,351	9	300,457
17	859	-	43	919
(5)	(30)	-	-	(35)
-	-	-	-	-
9,547	**25,092**	**1,351**	**52**	**301,341**
6,098	17,677	1,076	-	77,264
1,496	1,656	61	-	9,535
-	(9)	-	-	(9)
-	-	-	-	-
7,594	**19,324**	**1,137**	**-**	**86,790**
1,953	**5,768**	**214**	**52**	**214,551**
224	116	-	-	9,059
224	**116**	**-**	**-**	**9,059**
1,729	**5,652**	**214**	**52**	**205,492**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

[continued]

18 Property, fixtures and equipment (continued)

	Freehold land AED'000	Leasehold improve-ments AED'000	Buildings AED'000
Cost			
At 1 January 2017	61,506	4,870	190,495
Additions	-	-	10,769
Disposals	-	-	-
Write off	-	(2,341)	-
At 31 December 2017	**61,506**	**2,529**	**201,264**
Accumulated depreciation			
At 1 January 2017	-	3,548	45,140
Charge for the year	-	185	5,881
Disposals	-	-	-
Write off	-	(2,341)	-
At 31 December 2017	**-**	**1,392**	**51,021**
Net carrying amount after impairment			
At 31 December 2017	**61,506**	**1,137**	**150,243**
Impairment			
At 31 December 2016	3,655	-	5,064
At 31 December 2017	**3,655**	-	**5,064**
Net carrying amount after impairment			
At 31 December 2017	**57,851**	**1,137**	**145,179**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

[continued]

Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
7,168	23,077	1,351	9,701	298,168
2,895	2,263	-	(9,692)	6,235
(5)	(60)	-	-	(65)
(523)	(1,017)	-	-	(3,881)
9,535	**24,263**	**1,351**	**9**	**300,457**
5,270	17,049	943	-	71,950
1,356	1,645	133	-	9,200
(5)	(16)	-	-	(21)
(523)	(1,017)	-	-	(3,881)
6,098	**17,661**	**1,076**	**-**	**77,248**
3,437	**6,602**	**275**	**9**	**223,209**
224	116	-	-	9,059
224	**116**	**-**	**-**	**9,059**
3,213	**6,486**	**275**	**9**	**214,150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

19 Other assets

	2018	2017
	AED'000	AED'000
Trade receivables	33,780	27,914
Prepaid expenses	6,029	5,136
Accrued income	1,789	1,299
Due from employees	1,228	1,233
Others	1,460	1,707
	44,286	37,289
Less: allowance for doubtful debts (note 32)	(9,708)	(4,107)
	34,578	33,182

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	< 30 days	31 – 60 days	61 – 90 days	>90 days
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2018	33,780	7,389	968	5,331	2,417	17,675
31 December 2017	27,914	5,036	1,266	3,869	3,046	14,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

20 Term loans

	31 December 2018 AED'000	31 December 2017 AED'000
Term loan 1	-	31,692
Term loan 2 *(note 26)*	***4,733***	4,733
Term loan 3	***30,953***	-
	35,686	36,425

Term loan 1: During July 2012, the Group restructured its loan with First Abu Dhabi Bank. As a result, an amount of AED 42 million was paid. The interest rate on the loan was reduced from EIBOR plus 400 basis points to EIBOR plus 300 basis points per annum with a minimum of 4.5% per annum. The loan is repayable over twenty two quarterly installments which started on 1 April 2014. The loan was fully repaid on May 2018.

Term loan 2: Mainland Management entered into a bridge loan agreement with Finance House PJSC, a related party, on 26 March 2007, amounting to AED 17 million. During 2014, the outstanding amount was converted into additional capital contribution to Mainland Management and subsequently an amount of AED 4.7 million was lent to Mainland Management. Interest is charged at 4% per annum (31 December 2017: 4% per annum).

Term loan 3: During May 2018, the Group acquired a new loan from Arab Bank for Investment and Foreign Trade. The interest rate on the loan is EIBOR + 3% per annum with a minimum of 5% per annum. The loan is repayable over thirty two quarterly instalments starting on 2 August 2018.

The facility is secured by demand promissory note and corporate guarantee of the group covering the total outstanding facility amount and first degree mortgage over the land and building of Mafraq Hotel.

21 Other liabilities

	2018 AED'000	2017 AED'000
Trade payables	***8,135***	8,690
Staff payables	***4,094***	3,645
End of service benefits	***12,563***	12,282
Accrued expenses	***3,819***	1,267
	28,611	25,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

21 Other liabilities (continued)

Movement in the employees' end of service benefits is as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**12,282**	11,744
Provision made during the year	**2,648**	2,600
Payments during the year	**(2,367)**	(2,062)
Balance at end of the year	**12,563**	12,282

22 Share capital

	2018 AED'000	2017 AED'000
Authorised, issued and fully paid		
577,500 thousand shares (31 December 2017: 577,500 thousand shares) of AED 1 each (31 December 2017: AED 1 each)	**577,500**	577,500

23 Legal reserve

As required by the UAE Federal Law No. 2 of 2015 and the Articles of Association of the Company and its subsidiaries, 10% of the profit for the year, on an individual basis, must be transferred to legal reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The legal reserve is not available for distribution. No such transfers have been made to this reserve during the year ended 31 December 2018 since the Group incurred a loss.

24 Statutory reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year shall be transferred to a statutory reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the statutory reserve equals 50% of the share capital. The statutory reserve is not available for distribution. No such transfers have been made to this reserve during the year ended 31 December 2018 since the Group incurred a loss.

25 Commitments and contingent liabilities

	2018 AED'000	2017 AED'000
Corporate guarantees	**32,242**	33,085
Bank guarantees	**36,025**	36,022
	68,267	69,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

26 Related party transactions

Related parties represent associates, joint ventures, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The year end balances in respect of related parties included in the consolidated statement of financial position are as follows:

	2018	2017
	AED'000	AED'000
Amounts due from related parties:		
Associates	68	93
Funds under management	70	37
Joint venture	-	7,180
	138	7,310
Amounts due to related parties:		
Others	16	97
	16	97
Loan obtained from Finance House - shareholder (note 20)	4,733	4,733
Fixed deposits with Finance House	11,147	62,246

Significant transactions with related parties during the year were as follows:

	2018	2017
	AED'000	AED'000
Fees earned from related parties	824	2,911
Guarantees issued on behalf of the Company	68,267	69,107
Short term benefits of key management personnel (salaries, benefits and bonuses)	10,271	15,645
Interest expense on loan obtained from Finance House	192	192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

27 Fiduciary activities

The Group held-under-trust the following assets:

	2018 AED'000	2017 AED'000
Shares (at market value)	-	10,305
Bank balances	*3,216*	*3,089*

The above assets have not been reflected in these consolidated financial statements.

28 Basic earnings per share

Basic earnings per share are calculated by dividing the (loss) / profit for the year attributable to the Shareholders of the Group by the number of shares outstanding during the year.

	2018 AED'000	2017 AED'000
(Loss) / profit for the year	(7,535)	7,388
Weighted average number of ordinary shares	577,500	577,500
Earnings per share	(0.013)	0.013

There were no potentially dilutive securities as at 31 December 2018 or 31 December 2017, and accordingly, diluted earnings per share are the same as basic earnings per share.

29 Segment information

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision makers of the Group in order to allocate resources to the segment and to assess its performance. Information reported to the chief operating decision makers is based on three major segments as follows:

Asset Management- manages investment portfolios and funds in regional equities and offers regional and foreign investors' gateways for investment in the GCC and Arab stock markets.

Merchant Banking- provides corporate finance advisory, private placements, public offerings of equity and debt securities, mergers and acquisitions.

Principal Investments- manages and controls all cash related to the Group, and all proprietary investments of the Group including investments in associates, joint ventures, investments at fair value through profit or loss and other comprehensive income and investment properties.
Management monitors the net operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

29 Segment information (continued)

The business segments information for the year ended 31 December 2018 and 31 December 2017 are as follows:

Business segments

	Asset Management AED'000	Merchant Banking AED'000	Principal Investments AED'000	Total AED'000
31 December 2018				
Operating income	1,016	1,404	107,423	109,843
Net segment results	(2,767)	(4,108)	31	(6,844)
Segment assets	-	-	765,324	765,324
Segment liabilities	387	1,506	62,420	64,313
31 December 2017				
Operating income	3,585	1,698	125,692	130,975
Net segment results	(626)	(4,024)	13,389	8,739
Segment assets	-	-	782,394	782,394
Segment liabilities	503	1,711	60,192	62,406

Geographical segments

	UAE AED'000	KSA AED'000	Others AED'000	Total AED'000
31 December 2018				
Operating income	86,789	19,711	3,343	109,843
Net segment results	(7,793)	2,199	(1,250)	(6,844)
Segment assets	751,428	11,647	2,249	765,324
Segment liabilities	56,723	6,837	753	64,313
31 December 2017				
Operating income	106,478	22,687	1,810	130,975
Net segment results	8,946	1,670	(1,877)	8,739
Segment assets	765,984	13,817	2,593	782,394
Segment liabilities	58,100	3,921	385	62,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

30 Risk management

(a) Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. 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 risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Board of Directors

The overall risk management responsibility lies with the Board of Directors of the Group. It provides the direction, strategy and oversight of all the activities through various committees.

Audit Committee

The Audit Committee comprises two independent members who represent the Board of Directors of the Group. The Audit Committee has the overall responsibility of assessing the internal audit findings, directing implementation of audit recommendations and overseeing the internal audit activities undertaken within the internal control environment and regulatory compliance framework of the Group. Duties and responsibilities of the Audit Committee are governed by a formally approved Audit Committee Charter.

Management Committee

The Management Committee is responsible for identifying, measuring, monitoring and controlling the risks arising out of various activities in the Group.

Internal Audit

Risk management processes throughout the Group are audited annually by the internal audit function which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee. The Internal Audit has direct reporting lines to the Audit Committee in order to secure independence and objectivity in all audit engagements undertaken within the Group. During the year, head of internal audit has left the Group with no replacement as at 31 December 2018.

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

30 Risk management (continued)

(b) Market risk

Market risk is the risk that the fair value and future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities.
The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant, of the Group's result for the year.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2018.

	Effect on profit
	AED'000
31 December 2018	
+100 increase in basis point	96
-100 decrease in basis point	(96)
31 December 2017	
+100 increase in basis point	82
-100 decrease in basis point	(82)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is limited since a significant proportion of the Group's transactions, monetary assets and liabilities are denominated in U.A.E. Dirhams and U.S. Dollars. As the U.A.E. Dirham is pegged to the U.S. Dollar, balances in U.S. Dollars are not considered to represent significant currency risk.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

30 Risk management (continued)

The following table estimates the sensitivity to a possible change in equity markets on the Group's statement of profit or loss. The sensitivity of the statement of profit or loss is the effect of the assumed change in the equity indices on the fair value of investments carried at fair value through profit or loss.

	Assumed level of equity change %	***Impact on net income 31 December 2018 AED'000***	Impact on net income 31 December 2017 AED'000
Investments carried at fair value through profit or loss			
Abu Dhabi Securities Market Index	5%	***174***	650
Dubai Financial Market Index	5%	***958***	967
Other markets	5%	***2,493***	1,290

The effect on equity (as a result of a change in the fair value of equity instruments carried at fair value through other comprehensive income at 31 December 2018) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows.

	Assumed level of equity change %	***Impact on equity 31 December 2018 AED'000***	Impact on equity 31 December 2017 AED'000
Investments carried at fair value through other comprehensive income			
Abu Dhabi Securities Market Index	5%	***-***	915
Dubai Financial Market Index	5%	***786***	962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018 [continued]

30 Risk management (continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2018	2017
	AED'000	AED'000
Balances with banks	**172,929**	143,808
Amount due from related parties	**138**	7,310
Investment in Sukuk	***23,224***	36,618
Commercial paper	***2,500***	2,500
Other assets	***38,257***	32,153
	237,048	***222,389***

(d) Liquidity risk and funding management

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

30 Risk management (continued)

Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2018 based on contractual maturities.

	Less than 3 months AED'000	*months 3 to 1 year AED'000*	*year to 1 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
Assets					
Bank balances and cash	122,929	50,000	-	-	172,929
Amounts due from related parties	138	-	-	-	138
Investments, including associates and joint venture	95,752	144,925	-	-	240,677
Other assets	20,582	7,967	-	-	28,549
Non-financial assets	-	6,029	120,002	197,000	323,031
Total assets	***239,401***	***208,921***	***120,002***	***197,000***	***765,324***
Liabilities					
Term loans	728	2,619	24,808	7,531	35,686
Other liabilities	11,927	4,094	12,590	-	28,611
Amounts due to related parties	16	-	-	-	16
Total liabilities	***12,671***	***6,713***	***37,398***	***7,531***	***64,313***

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

30 Risk management (continued)

(d) Liquidity risk and funding management (continued)

Analysis of assets and liabilities by remaining contractual maturities (continued)

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

	Less than months 3 AED'000	months 3 to 1 year AED'000	year to 1 years 5 AED'000	Over years 5 AED'000	Total AED'000
Assets					
Bank balances and cash	98,715	45,094	-	-	143,809
Amounts due from related parties	7,310	-	-	-	7,310
Investments, including associates and joint venture	55,567	216,746	-	-	272,313
Other assets	17,456	10,588	-	-	28,044
Non-financial assets	5,136	-	122,750	203,032	330,918
Total assets	**184,184**	**272,428**	**122,750**	**203,032**	**782,394**
Liabilities					
Term loans	3,273	8,755	24,397	-	36,425
Other liabilities	9,956	3,645	12,283	-	25,884
Amounts due to related parties	97	-	-	-	97
Total liabilities	**13,326**	**12,400**	**36,680**	**-**	**62,406**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, systems failure, human error, fraud or external events. When required controls fail, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. While the Group cannot expect to eliminate all operational risks, through a control framework and by continuous monitoring and responding to potential risks, the Group is able to manage these risks. Controls include effective segregation of duties, appropriate access, authorisation and reconciliation procedures, staff training and robust assessment processes. The processes are reviewed on an ongoing basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

30 Risk management (continued)

(f) Capital management

Capital includes equity attributable to the Owners of the Group. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018 and 31 December 2017.

31 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of investments carried at fair value through other comprehensive income, investments carried at fair value through profit and loss, due from related parties, bank balances and cash and some other assets. Financial liabilities consist of term loans, due to related parties and some other liabilities.

In the opinion of management, the estimated carrying values and fair values of financial assets and liabilities that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or are re-priced on a frequent basis.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2018:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Carried at fair value through profit or loss				
Listed equity securities	72,528	-	-	72,528
Investments in Sukuk	-	13,224	10,000	23,224
	72,528	13,224	10,000	95,752
Carried at fair value through other comprehensive income				
Listed equity securities	15,727	-	-	15,727
Commercial paper	-	-	2,500	2,500
Investment in equity funds	-	2,045	7,633	9,678
	15,727	2,045	10,133	27,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

31 Fair value of financial instruments (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2017:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Carried at fair value through profit or loss				
Listed equity securities	55,567	-	-	55,567
Carried at fair value through other comprehensive income				
Quoted equities	37,541	-	-	37,541
Investments in Sukuk	-	26,618	12,500	39,118
Investment in equity funds	-	4,946	7,340	12,286
	37,541	**31,564**	**19,840**	**88,945**

Transfers between categories

During the reporting year ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity securities as financial assets at fair value through other comprehensive income classified as Level 3 within the fair value hierarchy.
A reconciliation of the beginning and closing balances including movements is summarized below:

	31 December 2018 AED'000	31 December 2017 AED'000
At the beginning of the year	***19,840***	7,487
Revaluation reverse during the year	***293***	(147)
Reclassed during the year	***-***	12,500
	20,133	*19,840*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

32 Changes in accounting policies

The Group has consistently applied the accounting policies as adopted in the annual financial statements for the year ended 31 December 2017, except for the following accounting policies, which are applicable from 1 January 2018:

a) 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.
The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Based on management assessment, the application of IFRS 15 does not have a significant impact on the consolidated financial statements.
The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 4. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.
Based on the IFRS 15 impact assessment, there are no significant impact on the opening retained earnings, statement of financial position and statement of comprehensive income.

Corporate finance income: Under IAS 18, the corporate finance income was accounted for upon the delivery of the service. Under IFRS 15, the non-refundable advances on corporate finance services are recognised once received, and the remaining revenue is accounted for once the service is provided. The adoption of the new IFRS 15 has no significant impact on the financials.
IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue stream.

Performance obligations and revenue recognition
Income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	***Nature and timing of satisfaction of performance obligations, including significant payment terms***	***Revenue recognition under IFRS 15 (applicable from 1 January 2018)***
Corporate finance service	The Group's investment management provides various related services.	Revenue from corporate finance services is recognised over time
Assets management services	The Group provides asset management services. Fees for assets management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Revenue from assets under management service is recognised over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognised as revenue over the period for which a customer is expected to continue receiving assets management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

32 Changes in accounting policies (continued)

b) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has no effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

I. Classification of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The classification categories for financial assets are: amortised cost, FVOCI, and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

II. Classification of financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows: the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

32 Changes in accounting policies (continued)

b) IFRS 9 Financial Instruments (continued)

III. Impact

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group of financial assets as at 1 January 2018.

	Original classification under IAS 39	New Classification under IFRS 9	Original carrying value under IAS 39 AED'000	New carrying value under IFRS 9 AED'000
Financial assets				
Investment in securities				
Listed equity securities	Held-for-trading	FVTPL	55,567	55,567
Equity funds	Available-for-sale	FVOCI	12,286	12,286
Investment in Sukuk	Available-for-sale	FVTPL	36,618	36,618
Commercial paper	Available-for-sale	FVOCI	2,500	2,500
Listed equity security	Available-for-sale	FVOCI	37,541	37,541
Total financial assets			**144,512**	**144,512**
Financial liabilities				
Term loans	Amortised cost	Amortised cost	36,425	36,425
Total financial liabilities			**36,425**	**36,425**

IV Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases: 12-month ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

The management has decided to maintain the higher of lifetime ECL or IAS 39 provision. This will also be reviewed at the end of the financial year for any adjustment on account of additional provisioning or release based on the updated ECL numbers as at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

32 Changes in accounting policies (continued)

b) *IFRS 9 Financial Instruments* (continued)

For financial assets in the scope of the IFRS 9 impairment model, impairment losses have been accounted for as follows:

	2018 ECL Amount AED'000
Allowance for doubtful debts as at beginning of the year under IAS 39	4,107
Opening adjustment under IFRS 9 as at 1 January	4,020
Allowance for doubtful debts as at 1 January under IFRS 9	8,127
Charge for the year	2,271
Amounts written off during the year	(690)
	9,708

Transition

The Group has taken the advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 has been recognised in retained earnings and reserves as at 1 January 2018.

The following assessments have been made on the basis of the facts and circumstances that exist at the date of initial application.

- The business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 [continued]

32 Changes in accounting policies (continued)

b) *IFRS 9 Financial Instruments* (continued)

The following table summarizes the impact of transition to IFRS 9 on the opening balance of retained earnings.

	Amount AED'000
Retained earnings	
Decrease due to financial instruments reclassified from fair value through other comprehensive income (FVOCI under IAS 39) to fair value through profit or loss (FVTPL under IFRS 9)	
Investment in Sukuk	**(304)**
Change in loss allowance of doubtful debt from IFRS 9 impairment adoption	**(4,020)**
Impact on retained earnings as at 1 January 2018	**(4,324)**

33 Other disclosures

As at 31 December 2018, the Group has no exposure to Abraaj Holdings, any of its subsidiaries, or any of its funds.

34 Comparative information

Certain items have been reclassified, from the group's prior year consolidated financial statements to conform to the current year's presentation and improve the transparency of certain line items of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statements of other comprehensive income, consolidated statement of changes in equity and the notes to the accounts.