The National Investor Pr. J.S.C.

Consolidated financial statements

31 December 2019

Principal business address:
P. O. Box 47435
Abu Dhabi
United Arab Emirates

The National Investor Pr. J.S.C.

Consolidated financial statements

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Dear Shareholders,

In 1994, when The National Investor (TNI) was founded, we envisioned a firm based on the principles of integrity, transparency and professional excellence. Today, we remain committed to these principles as ever. 2019 was a year of significant changes for TNI coinciding with a period of considerable volatility in the financial markets.

The regional investment management industry has endured a significant shift over the past few years and the competitive landscape continues to evolve. TNI operates in a cyclical industry and was therefore affected by the macroeconomic events in the region. Despite these challenges, in 2019 we managed to deliver consolidated net income of AED 0.9 million attributable to equity holders of the parent company (FY 2018: net loss of AED 7.5 million). Consolidated assets stood at AED 753 million compared to AED 765 million in the previous year. Our current asset base includes a consolidated cash position of AED 202 million. The total equity attributable to the parent company stood at AED 636 million (FY 2018: AED 646 million).

In the past, TNI has sustained economic challenges and difficult market conditions, and has emerged stronger by adapting to the new commercial and economic climate. In light of the prevalent difficult macroeconomic environment and the expected downward shift in market conditions, the Board of Directors undertook a detailed strategic review process during the last quarter of the year, which helped us embark on a clear new strategy and take the necessary steps to preserve shareholders' equity, which remains our first and foremost priority.

These steps will involve continuing to focus on managing the proprietary investments of the company with a view to creating exits and returning cash to the shareholders. Furthermore, the existing businesses will be integrated to maximize financial and operational synergies. The new market reality characterized by a difficult commercial environment requires a more streamlined operating model and the realigned organization structure will benefit from a low fixed-cost base; headcount in the front, middle, and back-office functions has been substantially rationalized. Consequently, the company now has a sustainable organization and cost structure. These changes are for the benefit of the firm and its shareholders, who rely on the Board of Directors to make judicious decisions to protect their capital. Furthermore, such changes are an integral part of a rapidly changing competitive landscape and mitigate the risk to the capital of our shareholders.

On behalf of the Board of Directors, I would like to thank you for your trust and confidence. We remain committed to delivering enduring value to our shareholders.

Saeed Mohamed Almasoud
Chairman of the Board

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Independent Auditors' Report

To the Shareholders of The National Investor Pr. J.S.C.

Report on the Audit of the Consolidated Financial Statements

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 statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statements of changes in equity and cash flows for the year ended 31 December 2019, 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 2019, 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. Due to the significance of financial instruments and the related uncertainty, this is considered a key audit matter.

Key Audit Matters (continued)

Valuation of financial instruments *(continued)*

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 application of IFRS 9 and use of significant estimates and judgments by reference to the requirements of the relevant accounting standards.

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.

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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.

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.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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 2019;
- 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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Abu Dhabi, United Arab Emirates
Date: 26 MAR 2020

The National Investor Pr. J.S.C.

Consolidated statement of profit or loss
for the year ended 31 December

	Note	2019 AED'000	2018 AED'000
Fee and service income	*6*	**84,350**	98,410
Net income from investments carried at fair value through profit and loss	*7*	**14,235**	6,462
Dividend income from investments carried at fair value through other comprehensive income		**373**	3,482
Share of profit of associates	*15*	**530**	3,208
Share of loss of joint venture	*16*	**(922)**	(7,525)
Change in fair value of investment property		**(1,187)**	(59)
Interest income	*8*	**4,774**	3,379
Other income		**3,792**	2,486
		105,945	109,843
Operating expenses		**(15,355)**	(14,821)
General and administrative expenses	*9*	**(22,064)**	(25,043)
Staff costs	*10*	**(56,359)**	(62,733)
Depreciation	*18*	**(8,654)**	(9,535)
Interest expense	*11*	**(2,104)**	(2,284)
Impairment losses on trade receivables		**(1,117)**	(2,271)
		(105,653)	(116,687)
Profit / (loss) for the year		**292**	(6,844)
Attributable to:			
Shareholders of the Company		**925**	(7,535)
Non-controlling interests		**(633)**	691
		292	(6,844)
Basic earnings per share (AED) *(note 28)*		**0.002**	(0.013)

The notes set out on pages 12 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 6.

The National Investor Pr. J.S.C.

Consolidated statement of other comprehensive income

for the year ended 31 December

	2019 AED'000	2018 AED'000
Profit / (loss) for the year	**292**	(6,844)
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	**(10,537)**	(4,531)
Loss from sale on financial asset carried at fair value through other comprehensive income	**-**	(49)
Total other comprehensive loss	**(10,537)**	(4,580)
Total comprehensive loss	**(10,245)**	(11,424)
Attributable to:		
Shareholders of the Company	**(9,612)**	(12,115)
Non-controlling interests	**(633)**	691
	(10,245)	(11,424)

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The National Investor Pr. J.S.C.

Consolidated statement of financial position

as at 31 December

	Note	2019 AED'000	2018 AED'000
Assets			
Cash and bank balances	*12*	**202,560**	172,929
Investments carried at fair value through profit or loss	*13*	**81,391**	95,752
Investments carried at fair value through other comprehensive income	*14*	**14,905**	27,905
Amounts due from related parties	*26*	**97**	138
Investments in associates	*15*	**92,150**	95,359
Investment in joint venture	*16*	**20,739**	21,661
Investment properties	*17*	**109,267**	110,454
Intangible assets		**997**	1,056
Property, fixture and equipment	*18*	**198,607**	205,492
Other assets	*19*	**32,256**	34,578
Total assets		**752,969**	765,324
Liabilities			
Term loans	*20*	**32,370**	35,686
Other liabilities	*21*	**31,923**	28,611
Amounts due to related parties	*26*	**24**	16
Total liabilities		**64,317**	64,313
Equity			
Share capital	*22*	**577,500**	577,500
Legal reserve	*23*	**59,042**	58,949
Statutory reserve	*24*	**50,619**	50,526
Fair value reserve		**(57,071)**	(46,534)
Retained earnings		**6,546**	5,621
Equity attributable to Shareholders of the Company		**636,450**	646,062
Non-controlling interests		**52,202**	54,949
Total equity		**688,652**	701,011
Total liabilities and equity		**752,969**	765,324

The best of our knowledge, the consolidated financial statements present fairly, in all material respect, the financial position, financial performance, and cash flows of the group, as of and for the period presented therein.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 MAR 2020, and signed on their behalf by:

Mr. Saeed Mohamed Almasoud
Chairman

Mr. Kashif Zia
Managing Director

The notes set out on pages 12 to 54 are an integral part of these consolidated financial statements.

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The National Investor Pr. J.S.C.

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	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
Balance at 1 January 2018	577,500	58,949	50,526	(31,627)	7,686	663,034	56,954	719,988
Effect of adopting IFRS 9 *(note 32)*	-	-	-	-	(4,324)	(4,324)	-	(4,324)
Restated balance at 1 January 2018	577,500	58,949	50,526	(31,627)	3,362	658,710	56,954	715,664
Loss for the year	-	-	-	-	(7,535)	(7,535)	691	(6,844)
Other comprehensive loss	-	-	-	(4,531)	-	(4,531)	-	(4,531)
Cumulative changes in assets carried at fair value through other comprehensive income	-	-	-	(10,376)	9,794	(582)	-	(582)
Change in non-controlling interests	-	-	-	-	-	-	(2,696)	(2,696)
Balance at 31 December 2018	**577,500**	**58,949**	**50,526**	**(46,534)**	**5,621**	**646,062**	**54,949**	**701,011**
Balance at 1 January 2019	577,500	58,949	50,526	(46,534)	5,621	646,062	54,949	701,011
Profit for the year	-	-	-	-	925	925	(633)	292
Other comprehensive loss	-	-	-	(10,537)	-	(10,537)	-	(10,537)
Transfer to legal reserves *(note 23)*	-	93	-	-	(93)	-	-	-
Transfer to statutory reserves *(note 24)*	-	-	93	-	(93)	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	(2,114)	(2,114)
Balance at 31 December 2019	**577,500**	**59,042**	**50,619**	**(57,071)**	**6,546**	**636,450**	**52,202**	**688,652**

The notes set out on pages 12 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 6.

The National Investor Pr. J.S.C.

Consolidated statement of cash flows
for the year ended 31 December

	Note	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Profit / (loss) for the year		**292**	(6,844)
Adjustments for:			
Depreciation	*18*	**8,654**	9,535
Amortisation of intangible assets		**59**	61
Share of profit of associates	*15*	**(530)**	(3,208)
Share of loss of joint venture	*16*	**922**	7,525
Net revaluation loss on investment properties	*17*	**1,187**	60
Net income from investments carried at FVTPL	*13*	**(1,831)**	(2,488)
Impairment losses on trade receivables		**1,117**	2,271
Interest income		**(4,774)**	(3,379)
Interest expense		**2,104**	2,284
Provision for employees' end of service benefits		**3,260**	2,648
Dividend income from investments carried at FVTOCI		**(373)**	(3,482)
Director's remuneration paid		**-**	(300)
		10,087	4,683
Changes in:			
Amounts due from related parties		**40**	7,172
Other assets		**1,956**	(7,195)
Other liabilities		**2,174**	2,458
Amounts due to related parties		**8**	(81)
Non-controlling interest		**(2,114)**	(2,696)
Employees' end of service benefits paid		**(2,582)**	(2,367)
Net cash from operating activities		**9,569**	1,974
Cash flows from investing activities			
Purchase of property, fixtures and equipment, net		**(1,769)**	(877)
Proceeds from sale of investments carried at fair value through profit or loss		**102,268**	61,880
Acquisition of investments carried at FVTPL		**(86,076)**	(71,145)
Proceeds from partial redemption of investment in FVTOCI		**2,500**	29,428
Proceeds from partial redemption of investment in associate		**60**	-
Proceeds from profit distribution of investment in associate		**4,131**	4,499
Term deposits		**33,019**	(4,907)
Interest income received		**4,025**	2,889
Dividend income received from investments carried at fair value through other comprehensive income		**373**	3,482
Net cash from investing activities		**58,531**	25,249
Cash flows from financing activities			
Repayment of term loans		**(3,316)**	(31,177)
Proceeds from term loans		**-**	30,438
Interest paid		**(2,134)**	(2,270)
Net cash used in financing activities		**(5,450)**	(3,009)
Net increase in cash and cash equivalents		**62,650**	24,214
Cash and cash equivalents at 1 January		**122,929**	98,715
Cash and cash equivalents 31 December	*12*	**185,579**	122,929

The notes set out on pages 12 to 54 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 6.

The National Investor Pr. J.S.C.

Notes to the consolidated financial statements

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 management 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 26 MAR 2020.

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 16 Leases has 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.

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 2019	31 December 2018	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

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.

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.

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.

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.

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.

4 Significant accounting policies *(continued)*

(a) Summary of significant accounting policies *(continued)*

Property, fixture and equipment *(continued)*

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.

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

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.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

Financial assets and financial liabilities *(continued)*

ii. ***Classification and subsequent measurement*** *(continued)*

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.

Financial assets - Business model assessment

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.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

Financial assets and financial liabilities *(continued)*

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.

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.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

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).

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

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.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

Financial assets and financial liabilities *(continued)*

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.

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.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

4 Significant accounting policies *(continued)*

(a) Summary of significant accounting policies (continued)

Leases *(continued)*

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of a identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components an account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis a those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

i. ***As a lessee*** *(continued)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. ***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

4 Significant accounting policies *(continued)*

(a) ***Summary of significant accounting policies*** *(continued)*

i. ***As a lessee*** *(continued)*

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. ***As a lessee***

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. ***As a lessor***

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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 2019:

- 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 impact of adopting IFRS 16 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 2019

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.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

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

(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.

4 Significant accounting policies *(continued)*

(d) ***Significant accounting judgements, estimates and assumptions*** *(continued)*

Estimates and assumptions *(continued)*

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 29.9 million and AED 97 thousand respectively *(31 December 2018: AED 33.8 million and AED 138 thousand)*, with provision for doubtful debts amounting to AED 10 million *(31 December 2018: AED 9.7 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 2019.

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 2019 amounted to AED 109.3 million *(31 December 2018: AED 110.5 million)*.

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:

	2019	2019
Mainland Management LLC	**33%**	33%

Accumulated balances of non-controlling interest

	2019 **AED'000**	2018 AED'000
Mainland Management LLC	**49,780**	51,094

Loss allocated to material non-controlling interests

Mainland Management LLC	**(1,271)**	(956)

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

Mainland Management LLC

	2019 **AED'000**	2018 AED'000
Total assets	**182,575**	182,564
Total liabilities	**33,236**	29,407
Total equity	**149,339**	153,157
Loss for the year	**(3,813)**	(2,870)

6 Fee and service income

	2019 AED'000	2018 AED'000
Consultancy and other service income	**54,459**	65,281
Revenue from hotel services	**28,076**	30,709
Investment banking fees	**263**	1,404
Asset management fees	**1,552**	1,016
	84,350	98,410

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:

	2019 AED'000	2018 AED'000
Major service lines		
Consultancy and other service income	**54,459**	65,281
Revenue from hotel services	**28,076**	30,709
Investment banking fees	**263**	1,404
Asset management fees	**1,552**	1,016
Total fee and service income from contract with customers	**84,350**	98,410

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 2019, the Group did not have any contract assets or liabilities related to the services provided.

7 Net income from investments carried at FVTPL

	2019 AED'000	2018 AED'000
Realised gain / (loss) on disposal, (net)	**7,127**	(974)
Unrealised revaluation gain / (loss), (net)	**1,831**	2,277
Interest income from Sukuk	**1,139**	1,835
Dividend income	**4,138**	3,324
	14,235	6,462

8 Interest income

	2019 AED'000	2018 AED'000
Time deposits	**4,618**	3,266
Call accounts	**156**	113
	4,774	3,379

9 General and administrative expenses

	2019 AED'000	2018 AED'000
Business development	**4,769**	5,674
Utilities	**3,925**	5,035
Professional fees	**2,456**	2,488
IT and telecommunication	**2,231**	2,236
Rent expense	**1,496**	2,272
Insurance	**851**	836
Bank charges	**533**	512
Others	**5,803**	5,990
	22,064	25,043

10 Staff costs

	2019 AED'000	2018 AED'000
Staff costs - corporate	**12,324**	12,351
Staff costs - subsidiaries	**44,035**	50,382
	56,359	62,733

11 Interest expense

	2019 AED'000	2018 AED'000
Term loans	**1,672**	1,762
Others	**432**	522
	2,104	2,284

12 Cash and bank balances

	2019 AED'000	2018 AED'000
Cash in hand	**95**	106
Call and current accounts with banks	**65,268**	28,642
Term deposits	**137,197**	144,181
Bank balances and cash	**202,560**	172,929
Less: bank deposits with maturities over three months	**(16,981)**	(50,000)
	185,579	122,929

Bank deposits carry interest rates ranging from 0.6% to 3.9% *(31 December 2018: 2.1% to 3.5%)* per annum.

13 Investments carried at fair value through profit or loss

	2019 AED'000	2018 AED'000
Listed equity securities	**67,643**	72,528
Investment in Sukuk	**13,748**	23,224
	81,391	95,752

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

Balance at the beginning of the year	**95,752**	55,567
Effect of adopting IFRS 9:		
Reclassified from financial investment at FVTOCI	**-**	28,432
Change in fair value during the year	**1,831**	2,488
Additions during the year	**86,076**	71,145
Disposal during the year	**(102,268)**	(61,880)
Balance at the end of the year	**81,391**	95,752

14 Investments carried at fair value through other comprehensive income

	2019 **AED'000**	2018 AED'000
Listed equity securities	**5,411**	15,727
Investment in equity funds	**9,494**	9,678
Commercial paper	**-**	2,500
	14,905	27,905

Movement in financial investments at fair value through other comprehensive income

	2019 **AED'000**	2018 AED'000
Balance at the beginning of the year	**27,905**	88,945
Effect of adopting IFRS 9:		
Reclassified to financial investment at FVTPL	**-**	(28,432)
Change in fair value during the year	**(10,500)**	(2,293)
Investments in Sukuk / commercial papers matured during the year	**(2,500)**	(8,490)
Disposal during the year	**-**	(21,825)
Balance at end of the year	**14,905**	27,905

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.	48.19 %	Asset management
Growth Capital Fund	Cayman Island	35.71 %	Asset management
National Catering Company LLC	U.A.E.	10.00 %	Catering services and facility management

15 Investments in associates *(continued)*

Summarised financial information of the associates is set out below.

	2019	2018
	AED'000	AED'000
Associates' statement of financial position		
Assets	**742,817**	638,720
Liabilities	**(319,728)**	(202,681)
Net assets	**423,089**	436,039
Group's share of net assets	**92,150**	95,359
Carrying amount of investment in associates	**92,150**	95,359
Associates' revenue and profit:		
Revenue	**818,416**	796,255
Profit for the year	**51,118**	58,454
Group's share of profit for the year	**530**	3,208

As of 31 December 2019, the Group's share of the contingent liabilities of associates (corporate guarantees) amounted to AED nil *(31 December 2018: AED nil).*

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	*Ownership interest % 31 December 2019*	*Ownership interest % 31 December 2018*
Al Jeyoun Limited	U.A.E.	46.875%	46.875%

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

	2019	2018
	AED'000	AED'000
Joint venture's statement of financial position		
Assets	**44,265**	46,620
Liabilities	**(23)**	(411)
Net assets	**44,242**	46,209
Group's share of net assets	**20,739**	21,661
Carrying amount of investment in joint venture	**20,739**	21,661

16 Investment in joint venture *(continued)*

	2019 AED'000	2018 AED'000
Joint venture's revenue and loss:		
Revenue	**1,944**	-
Loss for the year	**(1,967)**	(15,924)
Group's share of loss for the year	**(922)**	(7,525)

17 Investment properties

	2019 AED'000	2018 AED'000
Opening balance	**110,454**	110,514
Net revaluation loss	**(1,187)**	(60)
	109,267	110,454

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 2019					
Investment properties – plots of land	7 Jan 2020	**89,800**	**-**	**-**	**89,800**
Investment properties – office units	9 Jan 2020	**19,467**	**-**	**-**	**19,467**
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

17 Investment properties *(continued)*

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	6%
		Construction time frame	24 months
		Gross development area	280,906 sq ft.
		Rent	AED 60,000 studio / AED 80,000 1 room / AED 110,000 2 room / AED 130,000 3 room apartment
Plot C7 - Commercial	Residual method	Finance costs	6%
		Construction time frame	24 months
		Gross development area	299,000 sq ft.
		Net lettable area	239,200 sq ft.
		Rent	AED 110/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.

18 Property, fixtures and equipment

	Freehold land AED'000	Leasehold improve-ments AED'000	Buildings AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 January 2019	61,506	2,529	201,264	9,547	25,092	1,351	52	301,341
Additions	-	45	-	68	1,677	-	4	1,794
Transfers	-	-	-	-	43	-	(43)	-
Disposals	-	-	-	(17)	(4)	(143)	(13)	(177)
Write off	-	-	-	-	(6)	-	-	(6)
At 31 December 2019	**61,506**	**2,574**	**201,264**	**9,598**	**26,802**	**1,208**	**-**	**302,952**
Accumulated depreciation								
At 1 January 2019	-	1,684	57,051	7,594	19,324	1,137	-	86,790
Charge for the year	-	204	6,029	667	1,602	152	-	8,654
Disposals	-	-	-	(9)	-	(143)	-	(152)
Write off	-	-	-	-	(6)	-	-	(6)
At 31 December 2019	**-**	**1,888**	**63,080**	**8,252**	**20,920**	**1,146**	**-**	**95,286**
Net carrying amount before impairment								
At 31 December 2019	61,506	686	138,184	1,346	5,882	62	-	207,666
Impairment								
At 31 December 2019	3,655	-	**5,064**	**224**	**116**	-	-	**9,059**
Net carrying amount after impairment								
At 31 December 2019	**57,851**	**686**	**133,120**	**1,122**	**5,766**	**62**	**-**	**198,607**

18 Property, fixtures and equipment *(continued)*

	Freehold land AED'000	Leasehold improve-ments AED'000	Buildings AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 January 2018	61,506	2,529	201,264	9,535	24,263	1,351	9	300,457
Additions	-	-	-	17	859	-	43	919
Disposals	-	-	-	(5)	(30)	-	-	(35)
Write off	-	-	-	-	-	-	-	-
At 31 December 2018	61,506	2,529	201,264	9,547	25,092	1,351	52	301,341
Accumulated depreciation								
At 1 January 2018	-	1,392	51,021	6,098	17,677	1,076	-	77,264
Charge for the year	-	292	6,030	1,496	1,656	61	-	9,535
Disposals	-	-	-	-	(9)	-	-	(9)
Write off	-	-	-	-	-	-	-	-
At 31 December 2018	-	1,684	57,051	7,594	19,324	1,137	-	86,790
Net carrying amount before impairment								
At 31 December 2018	61,506	845	144,213	1,953	5,768	214	52	214,551
Impairment								
At 31 December 2017	3,655	-	5,064	224	116	-	-	9,059
At 31 December 2018	3,655	-	5,064	224	116	-	-	9,059
Net carrying amount after impairment								
At 31 December 2018	57,851	845	139,149	1,729	5,652	214	52	205,492

19 Other assets

	2019 AED'000	2018 AED'000
Trade receivables	**29,945**	33,780
Prepaid expenses	**4,741**	6,029
Accrued income	**2,742**	1,789
Due from employees	**791**	1,228
Right of use of asset	**3,112**	-
Others	**1,364**	1,460
	42,695	44,286
Less: allowance for doubtful debts	**(10,439)**	(9,708)
	32,256	34,578

Movement in allowance for doubtful debts:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**9,708**	4,107
Adjustment under IFRS 9	-	4,020
Balance at the beginning of the year	**9,708**	8,127
Charge of the year	**1,117**	2,271
Amounts written off during the year	**(386)**	(690)
Balance at the end of the year	**10,439**	9,708

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

			Past due but not impaired			
	Total AED'000	Neither past due nor impaired AED'000	< 30 days AED'000	31 – 60 days AED'000	61 – 90 days AED'000	>90 days AED'000
31 December 2019	**29,945**	**8,426**	**954**	**2,592**	**1,354**	**16,619**
31 December 2018	33,780	7,389	968	5,331	2,417	17,675

20 Term loans

	31 December 2019 AED'000	31 December 2018 AED'000
Term loan 1 *(note 26)*	**4,733**	4,733
Term loan 2	**27,637**	30,953
	32,370	35,686

Term loan 1: 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 2018: 4% per annum).*

Term loan 2: 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

	2019 AED'000	2018 AED'000
Trade payables	**5,557**	6,375
Staff payables	**4,067**	4,837
End of service benefits	**13,241**	12,563
Accrued expenses	**6,178**	4,836
Lease liability	**2,880**	-
	31,923	28,611

21 Other liabilities *(continued)*

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

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**12,563**	12,282
Provision made during the year	**3,260**	2,648
Payments during the year	**(2,582)**	(2,367)
Balance at end of the year	**13,241**	12,563

22 Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid		
577,500 thousand shares *(31 December 2018: 577,500 thousand shares)* of AED 1 each *(31 December 2018: 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. A transfer amounting to AED 92.5 thousand have been made to this reserve during the year ended 31 December 2019.

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. A transfer amounting to AED 92.5 thousand have been made to this reserve during the year ended 31 December 2019.

25 Commitments and contingent liabilities

	2019 AED'000	2018 AED'000
Corporate guarantees	**29,276**	32,242
Bank guarantees	**35,702**	36,025
	64,978	68,267

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:

	2019 AED'000	2018 AED'000
Amounts due from related parties:		
Associates	**74**	68
Funds under management	**23**	70
	97	138
Amounts due to related parties:		
Others	**24**	16
	24	16
Loan obtained from Finance House - shareholder *(note 20)*	**4,733**	4,733
Fixed deposits with Finance House	**-**	11,147

26 Related party transactions *(continued)*

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

	2019 AED'000	2018 AED'000
Fees earned from related parties	**1,953**	1,417
Guarantees issued on behalf of the Company	**64,978**	68,267
Short term benefits of key management personnel (salaries, benefits and bonuses)	**10,080**	10,271
Interest expense on loan obtained from Finance House	**192**	192

27 Fiduciary activities

The Group held-under-trust the following assets:

	2019 AED'000	2018 AED'000
Shares (at market value)	**817**	1,030
Bank balances	**3,514**	3,216

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 profit / (loss) for the year attributable to the Shareholders of the Group by the number of shares outstanding during the year.

	2019 AED'000	2018 AED'000
Profit / (Loss) for the year	**925**	(7,535)
Weighted average number of ordinary shares	**577,500**	577,500
Earnings per share	**0.002**	(0.013)

There were no potentially dilutive securities as at 31 December 2019 or 31 December 2018, 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.

The business segments information for the year ended 31 December 2019 and 31 December 2018 are as follows:

Business segments

	Asset Management AED'000	Merchant Banking AED'000	Principal Investments AED'000	Total AED'000
31 December 2019				
Operating income	**1,553**	**263**	**104,129**	**105,945**
Net segment results	**(3,219)**	**(5,463)**	**8,974**	**292**
Segment assets	**-**	**-**	**752,969**	**752,969**
Segment liabilities	**154**	**1,879**	**62,284**	**64,317**
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

29 Segment Information *(continued)*

Geographical segments

	UAE AED'000	KSA AED'000	Others AED'000	Total AED'000
31 December 2019				
Operating income	**83,664**	21,170	1,111	**105,945**
Net segment results	(3,051)	4,480	(1,137)	292
Segment assets	734,027	17,681	1,261	752,969
Segment liabilities	54,823	9,209	285	64,317
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

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.

30 Risk management *(continued)*

Risk management framework *(continued)*

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.

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.

(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 2019.

	Effect on profit AED'000
31 December 2019	
+100 increase in basis point	1,372
-100 decrease in basis point	(1,372)
31 December 2018	
+100 increase in basis point	960
-100 decrease in basis point	(960)

30 Risk management *(continued)*

(b) ***Market risk*** *(continued)*

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.

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 2019 AED'000**	Impact on net income 31 December 2018 AED'000
Investments carried at fair value through profit or loss			
Abu Dhabi Securities Market Index	5%	**557**	174
Dubai Financial Market Index	5%	**633**	958
Other markets	5%	**2,880**	2,493

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 2019) 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 2019 AED'000**	Impact on equity 31 December 2018 AED'000
Investments carried at fair value through other comprehensive income			
Dubai Financial Market Index	5%	**271**	786
Other markets	5%	**475**	-

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.

	2019 AED'000	2018 AED'000
Balances with banks	**202,560**	172,929
Amount due from related parties	**97**	138
Investment in Sukuk	**13,748**	23,224
Commercial paper	**-**	2,500
Other assets	**37,954**	38,257
	254,359	237,048

(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.

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 2019 based on contractual maturities.

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets					
Bank balances and cash	**185,579**	**16,981**	**-**	**-**	**202,560**
Amounts due from related parties	**97**	**-**	**-**	**-**	**97**
Investments, including associates and joint venture	**81,391**	**127,794**	**-**	**-**	**209,185**
Other assets	**21,336**	**6,180**	**-**	**-**	**27,516**
Non-financial assets	**-**	**4,740**	**111,871**	**197,000**	**313,611**
Total assets	**288,403**	**155,695**	**111,871**	**197,000**	**752,969**
Liabilities					
Term loans	**723**	**2,527**	**20,983**	**8,136**	**32,369**
Other liabilities	**14,615**	**4,067**	**13,241**	**-**	**31,923**
Amounts due to related parties	**25**	**-**	**-**	**-**	**25**
Total liabilities	15,362	6,594	34,224	8,136	64,317

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 2018 was as follows:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 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

(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.

(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 2019 and 31 December 2018.

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 2019:

	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	**67,643**	**-**	**-**	**67,643**
Investments in Sukuk	**-**	**3,748**	**10,000**	**13,748**
	67,643	**3,748**	**10,000**	**81,391**
Carried at fair value through other comprehensive income				
Listed equity securities	**5,411**	**-**	**-**	**5,411**
Investment in equity funds	**-**	**1,786**	**7,708**	**9,493**
	5,411	**1,786**	**7,708**	**14,905**

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

31 Fair value of financial instruments *(continued)*

Transfers between categories
During the reporting year ended 31 December 2019 and 31 December 2018, 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 2019 AED'000	31 December 2018 AED'000
At the beginning of the year	**20,133**	19,840
Matured during the year	**(2,500)**	-
Revaluation reverse during the year	**74**	293
	17,707	20,133

32 Changes in accounting policies

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

b) As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

32 Changes in accounting policies *(continued)*

***a) As a lessee** (continued)*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

ii. Leases classified as finance leases under IAS 17

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

b) As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

32 Changes in accounting policies *(continued)*

b) As a lessor

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group has also entered into a sub-lease during 2019, which has been classified as a finance lease.
The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

c) Impact on financial statements

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 to be 3.1 million as right assets included in other assets as at the reporting date.

33 Other disclosures

As at 31 December 2019, the Group has no exposure to Abraaj Holdings, any of its subsidiaries, or any of its funds.

34 Subsequent events

On its general assembly meeting held on 22 January 2020, the shareholders approved the reduction of capital by returning AED 200 million. the effective of the capital reduction was 4 February 2020.

35 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.

36 Non-adjusting events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity as well as loss of human life. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable at this stage to provide a quantitative estimate of the potential impact of this outbreak on the Group.