TNI ANNUAL REPORT 2017

المستثمر الوطني
The National Investor

HH SHEIKH
ZAYED BIN SULTAN AL NAHYAN

Late President of the United Arab Emirates

HH SHEIKH
KHALIFA BIN ZAYED AL NAHYAN

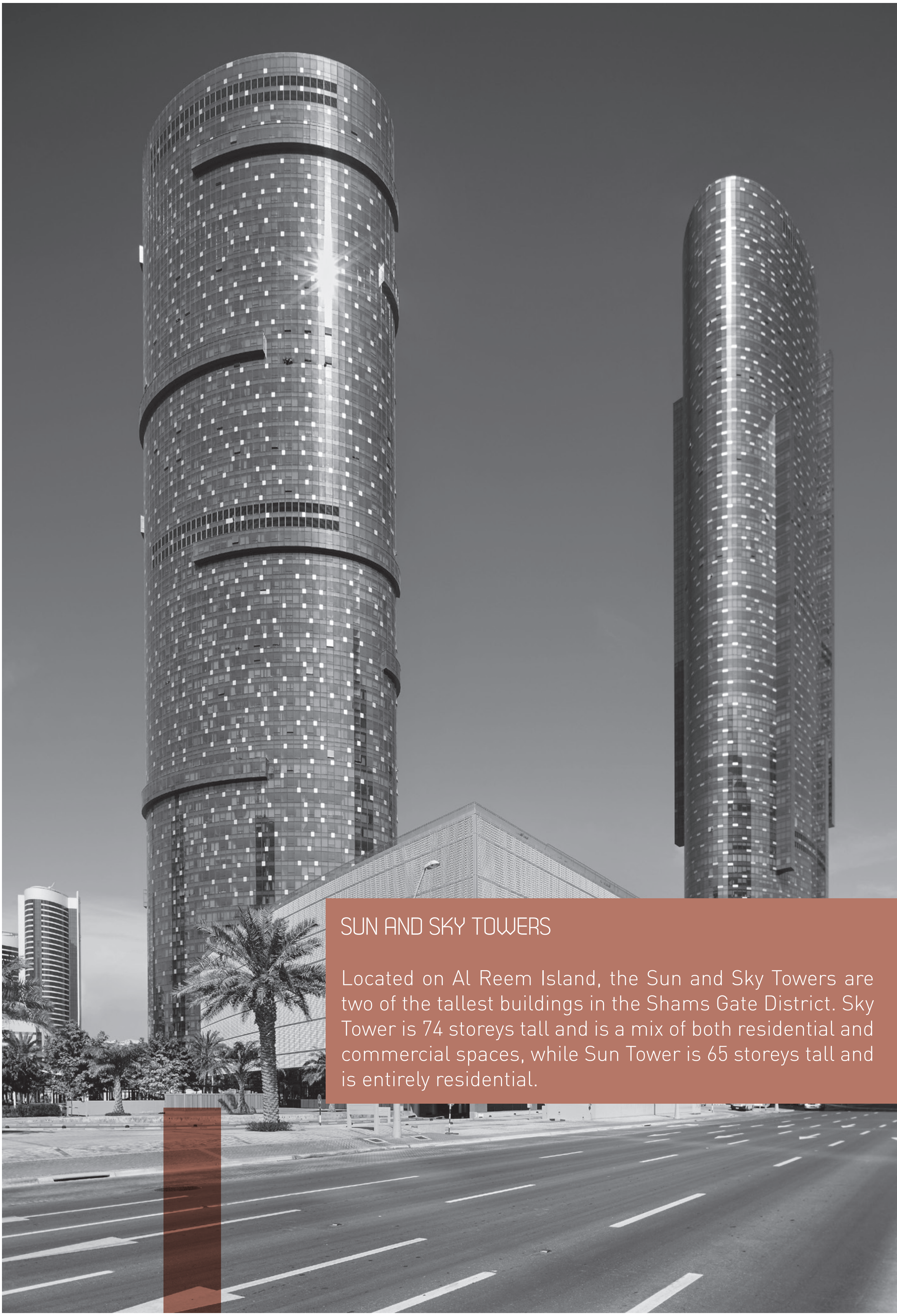
President of the United Arab Emirates
and Ruler of Abu Dhabi

HH SHEIKH
MOHAMED BIN RASHID AL MAKTOUM

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

HH GENERAL SHEIKH
MOHAMED BIN ZAYED AL NAHYAN

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



SUN AND SKY TOWERS

Located on Al Reem Island, the Sun and Sky Towers are two of the tallest buildings in the Shams Gate District. Sky Tower is 74 storeys tall and is a mix of both residential and commercial spaces, while Sun Tower is 65 storeys tall and is entirely residential.

BOARD MEMBERS 2017

Abdullah M. Mazrui
Chairman

Mohammed Abdulla Alqubaisi
Vice Chairman

Yusuf Sami Alami
Board Member

Fatima Obeid Al Jaber
Board Member

Mohamad Mohamad Fadhel Al Hamli
Board Member

Saeed Al Masoud
Board Member

Mohamad Rashid Al Naseri
Board Member

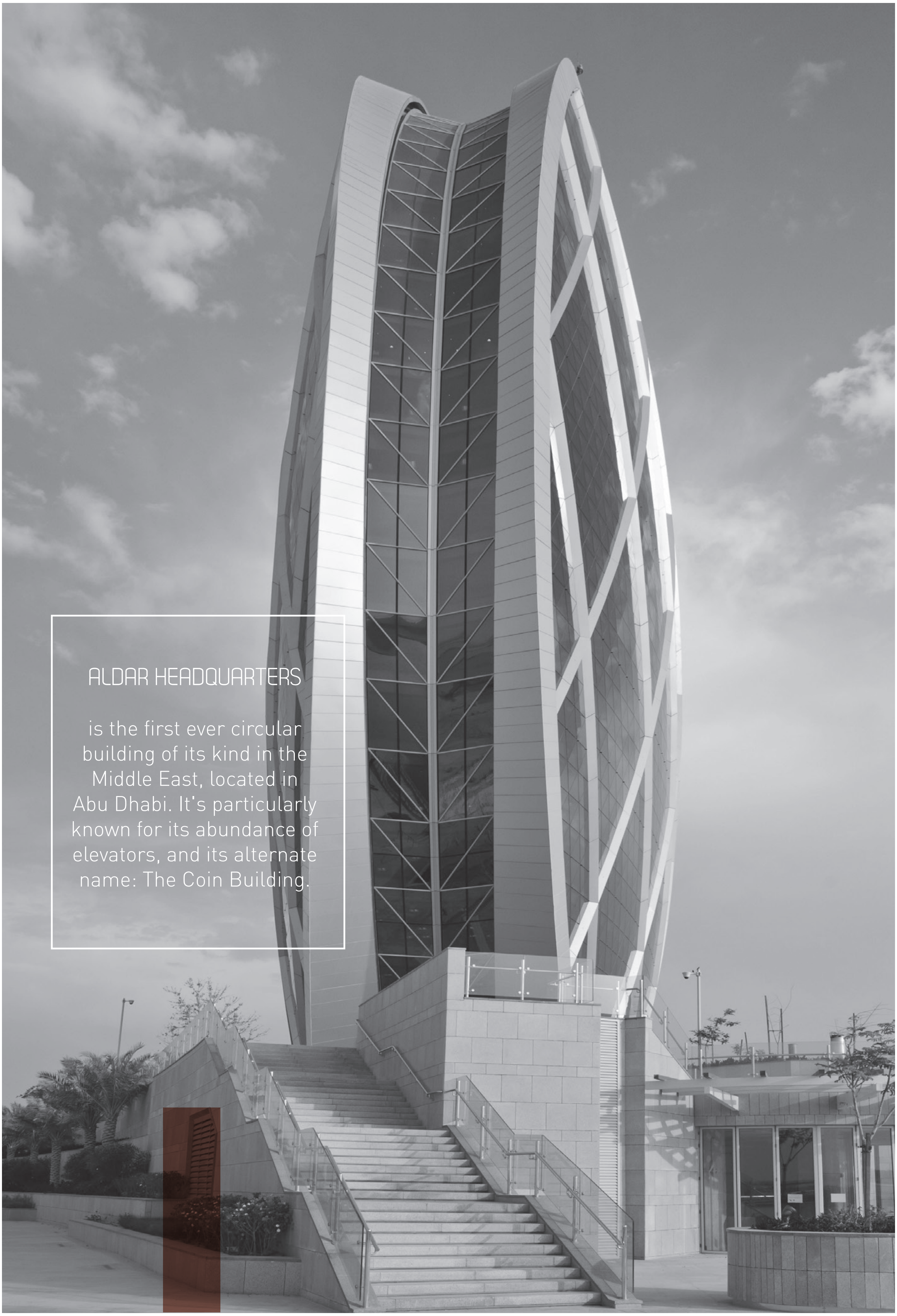
Khaled Abdulla Mohamed Almass
Board Member

Abubaker Seddiq Alkhoori
Board Member

CONTEN

FINANCIAL STATEMENTS

the national investor private joint stock company chairman's report and consolidated financial statements 31 December 2017



ALDAR HEADQUARTERS

is the first ever circular building of its kind in the Middle East, located in Abu Dhabi. It's particularly known for its abundance of elevators, and its alternate name: The Coin Building.

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of The National Investor for the fiscal year 2017.

It is my pleasure to announce a profitable year for TNI at a time of turbulence in regional and global financial markets. Overall, despite a challenging and transitional year for our industry, we managed to deliver consolidated operating revenues of AED 131 million compared to AED 143 million in the previous year and significantly turned around our bottom line to a net profit of AED 7.6 million compared to a net loss of AED 1.7 million in the previous year. This improvement is primarily driven by stronger than expected trading gains that translated into 12% net returns on TNI's direct public equities investments, and rationalization of our overall general and administrative expenses.

The positive performance was driven also by improved fee generating activities from the Asset Management business, which saw the UAE Blue Chip Fund outperform its benchmark, the S&P UAE Domestic Capped Index, by 4.1%. These results were achieved despite extremely challenging market conditions at a time when the Dubai Financial Market General Index (DFMGI) and the Abu Dhabi Securities Market General Index (ADSMI) fell by 4.6% and 3.3% respectively. The outperformance of our fund means that we are well-positioned to raise new assets under management going forward if market conditions remain favorable.

Consolidated assets stood at AED 782 million compared to AED million 833 million in the previous year, a decline of AED 51 million, mainly resulting from the disposal of certain leveraged fixed income investments. Our current asset base includes a healthy consolidated cash position of AED 144 million. Leverage ratio at a consolidated level decreased to 5% at year-end compared to 11% as at 31 December 2016 and total equity attributable to the company stood at AED 663 million compared to AED 661 million in the previous year.

Abu Dhabi's retail, contracting and hospitality sectors continue to be affected by the prevailing challenging market conditions. Consequently, our investments in Mafraq Hotel and Colliers witnessed continued pressure on margins and moderate declines in hospitality driven earnings. The overall hospitality market has seen a decline by more than 4% in average daily room rates. Furthermore, Colliers' retail and hospitality consultancy divisions also witnessed a sluggish performance. We continue to support the growth objectives of these strategic businesses, and may include potentially organic or inorganic growth opportunities to strengthen the financial performance of these investments.

Our objective over the past few years was to accomplish a strategy that would help achieve predictable earnings stream. Since the start of the year, our annuity income has covered our total compensation costs, establishing a sustainable base for profitability. We now have an important stream of annuity income that helps to shield us from market movements, and the inherent volatility in investment banking and private equity revenues.

The board and management continue to review TNI's business model and strategy in light of the increasingly competitive and dynamic landscape that characterizes our industry. A number of key initiatives will need to be implemented, including tactically selling down underperforming assets to release liquidity for growth, which can be redeployed to generate higher returns in line with the firm's overall investment strategy to focus on sustainable income generating private equity assets. Furthermore, we have a sufficiently large portfolio of liquid assets representing nearly 40% of our total balance sheet, which coupled with a particularly low level of debt at the consolidated level provides us with operational flexibility going forward.

Each component of our investment banking business model is working effectively, and should get stronger over time. We have demonstrated robust sourcing capability and have several promising transactions in the pipeline, most of which are on an exclusive basis. We are likely to see increased opportunities in M&A advisory particularly in the mid-market segment as companies in the UAE look for growth and expansion outside their domestic market.

Nevertheless, we firmly believe that the UAE and regional markets hold promising growth opportunities in the medium-term. As we progress through 2018, we remain committed to supporting the growth of the UAE's financial services sector.

I would like to take this opportunity to express my gratitude, on behalf of the Board of Directors, to the leadership of the UAE, His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Ruler of Dubai, and His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their visionary leadership and unconditional support of the local business community.

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

A. Mazrui

Abdullah M. Mazrui
Chairman of the Board

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2017

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 financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ending 31 December 2017, 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 2017, 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 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 often 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.

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; and
- assessing whether the consolidated financial statements disclosures of fair value risks and sensitivities appropriately reflect the Group's exposure to valuation risk.

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 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;
- based on the outcome of our audit procedure we determined the adequacy of the disclosure in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2017 [continued]

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.

When we read the Chairman's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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.

INDEPENDENT AUDITOR'S REPORT
for the year ended 31 December 2017 [continued]

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

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.

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 14, 15, and 16 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2017;
- note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- 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 2017 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company's Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017.

Further, as required by the UAE Union Law No. (10) of 1980, as amended, we report that we have obtained all the other information and explanations we considered necessary for the purpose of the audit.

KPMG Lower Gulf Limited

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

Date: 13 March 2018

AL BAHAR TOWERS

is made up of two 29 storey skyscrapers and 2,000 glass elements that open and close automatically depending on how intense the sunlight is. The headquarters of the Abu Dhabi Investment Council is located in one of the towers.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	**Year ended 31 December 2017 AED'000**	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Continuing operations				
Fee and service income	*6*	**108,919**	83,699	119,897
Net income from investments carried at fair value through profit and loss	*7*	**8,468**	2,103	3,828
Dividend income from investments carried at fair value through other comprehensive income		**929**	218	1,355
Share of profit of associates	*15*	**6,957**	12,454	14,057
Share of (loss) / profit of joint venture	*16*	**(814)**	-	98
Reversal of impairment of property, fixtures and equipment	*12*	**-**	6,521	6,521
Loss on disposal of subsidiary		**-**	-	(10,527)
Interest income	*8*	**5,230**	4,391	5,487
Other income		**1,286**	1,863	2,288
Total operating income		**130,975**	111,249	143,004
Operating expenses		**(19,464)**	(16,565)	(20,752)
General and administrative expenses	*9*	**(25,217)**	(20,281)	(27,643)
Employee related expenses	*10*	**(65,583)**	(51,384)	(70,617)
Provision against legal case	27	**-**	(9,127)	(9,127)
Depreciation	*18*	**(9,200)**	(7,331)	(9,748)
Interest expense	*11*	**(2,305)**	(2,671)	(3,265)
Impairment losses on trade receivables	*19*	**(267)**	(406)	(767)
Total operating expenses		**(122,036)**	(107,765)	(141,919)
Profit for the year/period		**8,939**	3,484	1,085
Attributable to:				
Owners of the Company		**7,588**	884	(1,695)
Non-controlling interests		**1,351**	2,600	2,780
		8,939	3,484	1,085
Basic earnings per share (AED) *(note 30)*		**0.013**	0.002	(0.003)

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 8 to 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	**Year ended 31 December 2017 AED'000**	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Profit for the year/period		**8,939**	3,484	1,085
Other comprehensive income / (loss):				
Items that are or may be reclassified subsequently to profit or loss				
Loss on financial assets carried at FVTOCI		**(4,990)**	(11,649)	(15,305)
Directors' remuneration	*26*	**(200)**	-	(650)
		(5,190)	(11,649)	(15,955)
Other comprehensive loss		**(5,190)**	(11,649)	(15,955)
Total comprehensive income / (loss)		**3,749**	(8,165)	(14,870)
Attributable to:				
Owners of the Company		**2,398**	(10,765)	(17,650)
Non-controlling interests		**1,351**	2,600	2,780
		3,749	(8,165)	(14,870)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2017

	Note	**31 December 2017 AED'000**	31 December 2016 AED'000
Assets			
Cash and bank balances	*13*	**143,808**	146,145
Investments carried at fair value through profit or loss	*14*	**55,567**	48,196
Investments carried at fair value through other comprehensive income	*14*	**88,945**	123,854
Due from related parties	*28*	**7,310**	259
Investments in associates	*15*	**98,615**	101,766
Investment in joint venture	*16*	**29,186**	-
Investment properties	*17*	**110,514**	112,272
Intangible assets		**1,117**	1,177
Property, fixture and equipment	*18*	**214,150**	217,159
Other assets	*19*	**33,182**	82,535
Total assets		**782,394**	833,363
Liabilities			
Term loans	*20*	**36,425**	73,179
Other liabilities	*21*	**25,981**	42,565
Total liabilities		**62,406**	115,744

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2017 [continued]

	Note	**31 December 2017 AED'000**	31 December 2016 AED'000
Equity			
Share capital	*22*	**577,500**	577,500
Legal reserve	*23*	**58,949**	58,186
Statutory reserve	*24*	**50,526**	49,763
Fair value reserve		**(31,627)**	(26,637)
Retained earnings		**7,686**	1,824
Equity attributable to Owners of the Company		**663,034**	660,636
Non-controlling interests	*5*	**56,954**	56,983
Total equity		**719,988**	717,619
Total liabilities and equity		**782,394**	833,363

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 13 March 2018, and signed on their behalf by:

A. Mazrui

Mr. Abdullah Mazrui
Chairman

Mr. Yasser Geissah
Chief Executive Officer

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 8 to 10.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000
Balance at 1 April 2016	577,500	58,096	49,673
Profit for the period	-	-	-
Other comprehensive loss	-	-	-
Transfer to legal reserves (*note 23*)	-	90	-
Transfer to statutory reserves (*note 24*)	-	-	90
Change in non-controlling interests	-	-	-
Balance at 31 December 2016	**577,500**	**58,186**	**49,763**
Balance at 1 January 2017	577,500	58,186	49,763
Profit for the year	-	-	-
Other comprehensive loss	-	-	-
Transfer to legal reserves (*note 23*)	-	763	-
Transfer to statutory reserves (*note 24*)	-	-	763
Directors' remuneration	-	-	-
Change in non-controlling interests	-	-	-
Balance at 31 December 2017	**577,500**	**58,949**	**50,526**

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017 [continued]

Fair value reserve AED'000	Retained earnings AED'000	Attributable to equity holders of parent AED'000	Non-controlling interests AED'000	Total AED'000
(14,988)	1,120	671,401	55,440	726,841
-	884	884	2,600	3,484
(11,649)	-	(11,649)	-	(11,649)
-	(90)	-	-	-
-	(90)	-	-	-
-	-	-	(1,057)	(1,057)
(26,637)	**1,824**	**660,636**	**56,983**	**717,619**
(26,637)	1,824	660,636	56,983	717,619
-	7,588	7,588	1,351	8,939
(4,990)	-	(4,990)	-	(4,990)
-	(763)	-	-	-
-	(763)	-	-	-
-	(200)	(200)	-	(200)
-	-	-	(1,380)	(1,380)
(31,627)	**7,686**	**663,034**	**56,954**	**719,988**

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The independent auditors' report is set out on pages 8 to 10.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000
Cash flows from operating activities		
Profit for the year/period	**8,939**	3,484
Adjustments for:		
Depreciation	**9,200**	7,331
Amortisation of intangible assets	**59**	79
Share of profit of associates	**(6,957)**	(12,454)
Share of loss of joint venture	**814**	-
Net income from investments carried at FVTPL	**1,683**	731
Reversal of impairment on property, fixtures and equipment	-	(6,521)
Impairment losses on trade receivables	**267**	406
Interest income	**(5,230)**	(4,391)
Interest expense	**2,305**	2,671
Provision for employees' end of service benefits	**2,600**	2,549
Dividend income from investments carried at FVTOCI	**(929)**	(218)
Director's remuneration paid	**(200)**	-
	12,551	(6,333)
Changes in:		
Amounts due from related parties	**(7,051)**	55,168
Other assets	**49,017**	(44,764)
Other liabilities	**(17,045)**	9,547
Employee's end of service benefits paid	**(2,062)**	(2,850)
Net cash from operating activities	**35,410**	10,768

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017 [continued]

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000
Cash flows from investing activities		
Purchase of property, fixtures and equipment, net	**(6,190)**	(3,854)
Capitalization on investment properties	**(52)**	(75)
Net revaluation loss on investment properties	**36**	**-**
Proceeds from sale of investments carried at FVTPL	**163,643**	105,445
Acquisition of investments carried at FVTPL	**(172,696)**	(136,060)
Proceeds from partial redemption / (purchase) of investment in FVTOCI	**32,577**	848
Acquisition of investment in joint venture	**(30,000)**	-
Proceeds from partial redemption / (purchase) of investment in associate	**4,049**	(39,625)
Proceeds from profit distribution of investment in associate	**3,399**	4,516
Net movement in assets held for sale	-	161
Term deposits	**18,099**	13,559
Interest income received	**5,690**	4,104
Dividend income received from investments carried at FVTOCI	**929**	218
Net cash from / (used in) investing activities	**19,484**	(50,763)
Cash flows from financing activities		
Repayment of term loans	**(37,036)**	(8,764)
Proceeds from term loans	**282**	31,195
Interest paid	**(2,381)**	(3,379)
Net cash (used in) / from financing activities	**(39,135)**	19,052
Net increase / (decrease) in cash and cash equivalents	**15,759**	(20,943)
Cash and cash equivalents at 1 January	**82,956**	103,899
Cash and cash equivalents 31 December	**98,715**	82,956

The notes set out on pages 20 to 55 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 8 to 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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

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

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

These consolidated financial statements of the Group were authorised and approved for issue by the Board of Directors on 13 March 2018.

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. The UAE Federal Law No. (2) of 2015 ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the UAE Companies Law of 2015 by 30 June 2017 as per the transitional provisions contained therein. The Company has implemented all changes required by the UAE Companies Law of 2015.

(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 Company and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

(d) Change of year end

During prior period, the financial year end of the Group was changed from 31 March to 31 December. The comparative financial statements are prepared for 9 months from 1 April 2016 to 31 December 2016. The current financial statements are prepared for 12 months from 1 January 2017 to 31 December 2017. Accordingly, periods presented are not comparable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

3 BASIS OF CONSOLIDATION

The accompanying consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The details of the Company's subsidiaries and their principal activities are as follows:

	Country of incorporation	Ownership interest % 31 Dec 2017	31 Dec 2016	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
Alliance Investment LLC	U.A.E.	**100**	100	Asset Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

3 BASIS OF CONSOLIDATION [CONTINUED]

(a) Business combinations

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

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

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

(b) Subsidiaries

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

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

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

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

***(b) Subsidiaries** [continued]*

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.

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)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.

(d) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

3 BASIS OF CONSOLIDATION [CONTINUED]

***(d) Loss of control** [continued]*

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.

(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.

(g) Investment in associates and joint ventures

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

3 BASIS OF CONSOLIDATION [CONTINUED]

***(g) Investment in associates and joint ventures** [continued]*

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

Upon disposal of associates and joint ventures that results in the Group losing significant influence over that associates and joint ventures, any retained investment. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associates and joint ventures on the same basis as would be required if that 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 that 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 that 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) 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 2017:

- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (Amendments to IFRS 12).

The new standards and amendments to standards listed above had no significant impact on the Group.

(b) Summary of significant accounting 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(b) 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.

Financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(b) Summary of significant accounting policies *[continued]*

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

Impairment of financial assets

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(b) Summary of significant accounting policies *[continued]*

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

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.

Segment 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 30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(b) Summary of significant accounting policies *[continued]*

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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. Revenue is measured net of returns, trade discounts and volume rebates.

Recognition of income and expenses [continued]

Fee and service income
Fee and income from services provided by the Group during the period 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 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.

(c) Future changes in accounting policies – Standards issued but not yet effective as at 31 December 2017

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

- IFRS 15: Revenue from Contracts with Customers *(Effective by 1 January 2018)*; and
- IFRS 16: Leases ***(Effective by 1 January 2019);*** and
- IFRIC 22: Foreign Currency Transactions and Advance Consideration *(Effective by 1 January 2018);* and
- Transfers of Investment Property – Amendments to IAS 40, *(Effective by 1 January 2018);* and
- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28), *(Effective by 1 January 2018);* and
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4); and
- IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group intends to adopt the above IFRSs when they become effective. Management of the Group is in the process of assessing the impact of these new standards and amendments on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(c) Future changes in accounting policies – Standards issued but not yet effective as at 31 December 2017 (continued)

On July 24, 2014, the IASB issued IFRS 9 Financial Instruments ("the Standard"), which will replace IAS 39. The Standard covers three broad topics: Classification and Measurement, Impairment and Hedging.

Governance and project management
The adoption of IFRS 9 is a significant initiative for the Group, involving substantial finance, risk management and technology resources. The project was managed through a detailed governance structure across risk management, finance, technology, and the business units. The Group's existing system of internal controls will be refined and revised where required to meet the requirements of IFRS 9. The Group has applied many components of its existing governance framework to ensure that appropriate validations and controls will be in place over new key processes and significant areas of judgment. Adoption of IFRS 9 in 2018 has resulted in revisions to accounting policies and procedures, changes and amendments to internal control documents, applicable credit risk manuals, development of new risk models and associated methodologies and new processes within risk management.

The following is a summary of some of the more significant items that are likely to be important in understanding the impact of the implementation of IFRS 9:

Classification and measurement
The Standard introduces new requirements to determine the measurement basis of financial assets, involving the cash flow characteristics of assets and the business models under which they are managed. Accordingly, the basis of measurement for the Group's financial assets may change.

Impairment
The adoption of IFRS 9 may have a significant impact on the Group's impairment methodology. The IFRS 9 expected credit loss (ECL) model is forward looking compared to the current incurred loss approach. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. ECL reflects, probability-weighted outcome as opposed to the single best estimate allowed under the current approach. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Impairment [continued]

IFRS 9 Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12- month PD that represents the probability of default occurring over the next 12 months. This Stage 1 approach is different than the current approach which estimates a collective allowance to recognise losses that have been incurred but not reported on performing financing assets.

Stage 2 – When a financial asset experiences a significant increase in risk (SICR) subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgement are:

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, subject to regulatory guidelines, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(c) Future changes in accounting policies – Standards issued but not yet effective as at 31 December 2017 (continued)

Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group will use three scenarios that will be probability weighted to determine ECL.

Experienced credit judgment
The Group's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Expected Life
When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life should be estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Definition of Default and Write-off

Default definition followed by the Group for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions. IFRS 9 presumption of default is currently under internal review and might differ for the actual results subsequently where a reasonable justification exists to rebut the presumption. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Transition impact

The Group will record an adjustment if any, to its opening January 1, 2018 retained earnings and OCI, to reflect the application of the new requirements of Impairment and Classification and Measurement at the adoption date and will not restate comparative periods. As the exercise is still ongoing, the final adjustment is not yet determined.

(d) Significant accounting judgements, estimates and assumptions

Judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect in the amounts recognised in the consolidated statement of financial position:

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by management.

Classification of investments
The Group classifies investments as fair value through profit and loss if they are acquired primarily for the purpose of making a short term profit by the dealers. Classification of investments as fair value through profit and loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit and loss in the management accounts, they are classified as fair value through profit and loss. Equity investments not held for trading can be designated as being measured at fair value through other comprehensive income at initial recognition. Investments are classified at amortised cost only if the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

4 SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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

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

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

Impairment of trade and other receivables and due from related parties
An estimate of the collectible amount of trade and other receivables and due from related parties is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. 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 27.6 million and AED 7.3 million respectively *(31 December 2016: AED 38.7 million and AED 0.25 million)*, with provision for doubtful debts amounting to AED 3.8 million *(31 December 2016: AED 4.1 million)*. Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the 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 2017.

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 2017 amounted to AED 110.5 million (31 December 2016: AED 112.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

5 NON-CONTROLLING INTERESTS

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

Portion of equity interest held by non-controlling interests:

	31 December 2017	31 December 2016
Mainland Management LLC	**33%**	33%

Accumulated balances of non-controlling interest

	31 December 2017 AED'000	31 December 2016 AED'000
Mainland Management LLC	**52,049**	52,803

(Loss) / profit allocated to material non-controlling interests

Mainland Management LLC	**(754)**	893

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

Mainland Management LLC

	31 December 2017 AED'000	31 December 2016 AED'000
Total assets	**182,564**	182,563
Total liabilities	**26,416**	24,153
Total equity	**156,148**	158,410
(Loss) / profit for the year/period	**(2,262)**	2,679

6 Fee and service income

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Consultancy and other service income	**71,065**	55,501	80,234
Revenue from hotel services	**33,580**	24,141	33,866
Investment banking fees	**2,127**	799	3,214
Asset management fees	**2,147**	3,258	2,583
	108,919	83,699	119,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

7 NET INCOME FROM INVESTMENTS CARRIED AT FVTPL

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Realised gain on disposal, (net)	**6,355**	2,241	2,499
Unrealised revaluation loss, (net)	**(1,552)**	(731)	(226)
Dividend and interest income	**3,665**	593	1,555
	8,468	2,103	3,828

8 INTEREST INCOME

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Time deposits	**2,659**	2,351	2,985
Interest income from Sukuk	**2,540**	2,000	2,404
Call accounts	**31**	40	98
	5,230	4,391	5,487

9 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Utilities	**5,555**	4,077	5,230
IT and telecommunication	**3,967**	1,651	2,271
Business development	**3,479**	3,574	5,443
Professional fees	**2,864**	801	1,917
Rent expense	**2,602**	2,966	3,453
Insurance	**926**	661	854
Bank charges	**663**	1,273	1,353
Others	**5,161**	5,278	7,122
	25,217	20,281	27,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

10 EMPLOYEE RELATED EXPENSES

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Staff costs (corporate)	**13,824**	11,400	16,446
Staff costs (subsidiaries)	**51,759**	39,984	54,171
	65,583	51,384	70,617

11 INTEREST EXPENSE

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Term loans	**1,642**	1,398	1,912
Others	**663**	1,273	1,353
	2,305	2,671	3,265

12 REVERSAL OF IMPAIRMENT OF PROPERTY, FIXTURES AND EQUIPMENT

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000	Year ended 31 December 2016 AED'000 (Unaudited)
Reversal of impairment of property, fixtures and equipment *(note 18)*	-	6,521	6,521

During the prior year, the Group reassessed the recoverable amount of its previously impaired property, fixtures and equipment at Mafraq hotel which resulted in a reversal of impairment amounting to AED *6.5 million*. The recoverable amounts were based on a value in use calculation. The remaining balance of impairment is AED 9.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

13 CASH AND BANK BALANCES

	31 December 2017 AED'000	31 December 2016 AED'000
Cash in hand	**101**	208
Call and current accounts with banks	**38,720**	49,036
Term deposits	**104,987**	96,901
Bank balances and cash	**143,808**	146,145
Less: bank deposits with maturities over three months	**(45,093)**	(63,189)
Cash and cash equivalents – statement of cash flows	**98,715**	82,956

Bank deposits carry an interest rate ranging from 0.5% to 4.7% *(31 December 2016: 1.5% to 4.9%)* per annum.

14 INVESTMENTS CARRIED AT FAIR VALUE

	31 December 2017 AED'000	31 December 2016 AED'000
Investments carried at fair value through profit and loss		
Listed equity securities	**55,567**	48,196
	55,567	48,196
Investments carried at fair value through other comprehensive income		
Founder shares	**18,302**	18,409
Listed equity securities	**19,239**	21,721
Equity funds	**12,286**	14,735
Investments in Sukuk	**39,118**	68,989
	88,945	123,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

15 INVESTMENT 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 (Tarfeeh)	U.A.E.	40.00 %	Entertainment services
TNI Blue Chip Fund	U.A.E.	48.11 %	Asset management
Growth Capital Fund	Cayman Island	35.70 %	Asset management
National Catering Company LLC	U.A.E.	10.00 %	Catering services

Summarised financial information of the associates is set out below.

	31 December 2017 AED'000	31 December 2016 AED'000
Associates' statement of financial position		
Assets	**652,716**	615,798
Liabilities	**(202,147)**	(148,880)
Net assets	**450,569**	466,918
Group's share of net assets	**98,615**	101,766
Carrying amount of investment in associates	**98,615**	101,766

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000
Associates' revenue and profit:		
Revenue	**791,210**	762,194
Profit for the year/period	**67,084**	66,761
Group's share of profit for the year/period	**6,957**	12,454

As of 31 December 2017, the Group's share of the contingent liabilities of associates (corporate guarantees) amounted to AED nil *(31 December 2016: AED nil)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

16 INVESTMENT IN JOINT VENTURE

The Group had the following investment in joint ventures which were accounted for using the equity method.

Principal activity	*Country of incorporation 2017*	*Ownership interest % 31 December 2016*	*Ownership interest % 31 December*
Al Jeyoun Limited	U.A.E.	**43.86%**	-

In 2016, the Group has engaged in a new project with Lead Capital LLC at Masdar City. The Group made an advance payment of AED 37 million representing 10% of total land value into an escrow account. During the period, the amount has been allocated to Investment in Joint Venture and Amounts due from Joint Venture for an amount of AED 30.0 and AED 7.2 million respectively.

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

	31 December 2017 AED'000	31 December 2016 AED'000
Joint venture's statement of financial position		
Assets	**69,617**	-
Liabilities	**(4,308)**	-
Net assets	**65,309**	-
Group's share of net assets	**29,186**	-
Carrying amount of investment in joint venture	**29,186**	-

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000
Joint venture's revenue and profit:		
Revenue	-	-
Loss for the year/ period	**(1,851)**	-
Group's share of loss for the year/ period	**(814)**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

17 INVESTMENT PROPERTIES

	31 December 2017 AED'000	31 December 2016 AED'000
Opening balance	**112,272**	112,197
Transfer to property, fixture and equipment	**(1,774)**	-
Net revaluation loss	**(36)**	-
Capitalised expenses	**52**	75
	110,514	112,272

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 and 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 2017					
Investment properties – plots of land	11 Dec 2017	**91,300**	**-**	**-**	**91,300**
Investment properties – office units	10 Dec 2017	**19,214**	**-**	**-**	**19,214**
31 December 2016					
Investment properties – plots of land	21 Nov 2016	90,000	-	-	90,000
Investment properties – office units	15 Nov 2016	22,272	-	-	22,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

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	7%
		Construction time frame	30 months
		Gross development area	280,906 sq ft.
		Rent	AED 70,000 studio / AED 90,000 1 room / AED 130,000 2 room / AED 170,000 3 room apartment
Plot C7 - Commercial	Residual method	Finance costs	7%
		Construction time frame	24 months
		Gross development area	299,000 sq ft.
		Net lettable area	239,200 sq ft.
		Rent	AED 158/sq ft.
Office units	Direct sales comparison method	Sales rate	AED 1,350/sq. ft

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

18 PROPERTY, FIXTURES AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
	7,168	23,077	1,351	9,701	298,168
	2,895	2,279	-	(9,692)	6,251
	(5)	(60)	-	-	(65)
	(523)	(1,017)	-	-	(3,881)
	9,535	**24,279**	**1,351**	**9**	**300,473**
	5,270	17,049	943	-	71,950
	1,356	1,645	133	-	9,200
	(5)	-	-	-	(5)
	(523)	(1,017)	-	-	(3,881)
	6,098	**17,677**	**1,076**	**-**	**77,264**
	3,437	**6,602**	**275**	**9**	**223,209**
	224	116	-	-	9,059
	224	**116**	**-**	**-**	**9,059**
	3,213	**6,486**	**275**	**9**	**214,150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

18 PROPERTY, FIXTURES AND EQUIPMENT [CONTINUED]

	Freehold land AED'000	Leasehold improvements AED'000	Buildings AED'000
Cost			
At 1 April 2016	61,506	4,870	186,207
Additions	-	-	4,288
Disposals	-	-	-
Write off	-	-	-
At 31 December 2016	**61,506**	**4,870**	**190,495**
Accumulated depreciation			
At 1 April 2016	-	3,409	39,239
Charge for the period	-	139	4,859
Disposals	-	-	-
Reclassified from impairment			
Provision *(note 12)*	-	-	1,042
Write off	-	-	-
At 31 December 2016	**-**	**3,548**	**45,140**
Net carrying amount before impairment			
At 31 December 2016	**61,506**	**1,322**	**145,355**
Impairment			
At 1 April 2016	3,655	60	12,157
At 31 December 2016 (note 12)	**3,655**	**-**	**5,064**
Net carrying amount after impairment			
At 31 December 2016	**57,851**	**1,322**	**140,291**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
10,198	21,268	1,458	12,903	298,410
843	1,844	150	(3,202)	3,923
(413)	(35)	(257)	-	(705)
(3,460)	-	-	-	(3,460)
7,168	**23,077**	**1,351**	**9,701**	**298,168**
7,886	15,329	986	-	66,849
732	1,453	148	-	7,331
(307)	(17)	(230)	-	(554)
92	284	39	-	1,457
(3,133)	-	-	-	(3,133)
5,270	**17,049**	**943**	**-**	**71,950**
1,898	**6,028**	**408**	**9,701**	**226,218**
995	540	39	-	17,446
224	**116**	**-**	**-**	**9,059**
1,674	**5,912**	**408**	**9,701**	**217,159**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

19 OTHER ASSETS

	31 December 2017 AED'000	31 December 2016 AED'000
Trade receivables	**27,622**	38,779
Prepaid expenses	**5,136**	42,218
Accrued income	**1,299**	1,758
Due from employees	**1,233**	1,372
Deferred project costs	**-**	648
Others	**1,707**	1,903
	36,997	86,678
Less: allowance for doubtful debts	**(3,815)**	(4,143)
	33,182	82,535

The movement in the allowance for doubtful debts is as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Balance at the beginning of the year/period	**4,143**	3,978
Charge for the year/period	**267**	406
Amounts written off during the year/period	**(595)**	(241)
Balance at the end of the year/period	**3,815**	4,143

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 2017	**27,622**	**5,036**	**1,266**	**3,869**	**3,046**	**14,405**
31 December 2016	38,779	5,772	3,510	5,245	2,703	21,549

Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

20 TERM LOANS

	31 December 2017 AED'000	31 December 2016 AED'000
Term loan 1	**31,692**	37,251
Term loan 2	**4,733**	4,733
Term loan 3	**-**	31,195
	36,425	73,179

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

The facility is secured by a first degree mortgage amounting to AED 140 million over the land and building of Mafraq Hotel and a Corporate Guarantee of the Group.

Term loan 2: Mainland Management entered into a bridge loan agreement with Finance House PJSC, a related party, on 26 March 2007, amounting to AED 17 million. During 2014, the outstanding amount was converted into additional capital contribution to Mainland Management and subsequently an amount of AED 4.7 million was lent to Mainland Management. Interest is charged at 4% per annum *(31 December 2016: 4% per annum)*.

Term loan 3: During the prior period, the Group secured a rolling credit facility to purchase three Sukuk instruments. The floating interest rate on the facility is 1 month USD LIBOR plus 70 basis points. During the period, the Group settled the Sukuk loan.

21 OTHER LIABILITIES

	31 December 2017 AED'000	31 December 2016 AED'000
Trade payables	**8,690**	9,099
Staff payables	**3,645**	1,451
End of service benefits	**12,282**	11,744
Accrued expenses	**1,267**	20,032
Due to related parties	**97**	239
	25,981	42,565

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

	31 December 2017 AED'000	31 December 2016 AED'000
Balance at the beginning of the year/period	**11,744**	12,045
Provision made during the year/period	**2,600**	2,549
Payments during the year/period	**(2,062)**	(2,850)
Balance at end of the year/period	**12,282**	11,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

22 SHARE CAPITAL

	31 December 2017 AED'000	31 December 2016 AED'000
Authorised, issued and fully paid		
577,500 thousand shares *(31 December 2016: 577,500 thousand shares)* of AED 1 each *(31 December 2016: 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.

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 may resolve to discontinue such transfers when the statutory reserve equals 50% of the share capital. The statutory reserve is not available for distribution.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	31 December 2017 AED'000	31 December 2016 AED'000
Corporate guarantees	**33,085**	39,398
Bank guarantees	**36,022**	35,950
	69,107	75,348

26 DIVIDEND AND BOARD OF DIRECTORS' REMUNERATION

No dividends were declared by the Board of Directors' during the period.

The Board of Directors' remuneration relating to the Group's subsidiary - Falcon Investment LLC, for AED 200 thousand was approved by their shareholders in the Annual General Meeting dated 13 February 2017.

27 PROVISION AGAINST A LEGAL CASE

Colliers (a wholly owned subsidiary of The National Investor Pr.J.S.C.) announced that the court of cassation has ruled against Colliers as a result of transaction conducted during 2007. This case was tried in six different courts over the past ten years and each court has ruled in Colliers' favor. However in August 2016, a ruling against Colliers was released. Despite the fact that this case is still being appealed, management has recorded a provision in the statement of profit and loss of AED 9.1 million during prior period which has been paid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

28 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/period end balances in respect of related parties included in the consolidated statement of financial position are as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Amounts due from related parties:		
Associates	**93**	25
Funds under management	**37**	234
Joint Venture	**7,180**	-
	7,310	259
Amounts due to related parties:		
Others *(Note 21)*	**97**	239
	97	239
Loan obtained from Finance House - shareholder *(note 20)*	**4,733**	4,733
Fixed deposits with Finance House	**62,246**	35,549

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

	Year ended 31 December 2017 AED'000	Nine month period ended 31 December 2016 AED'000
Fees earned from related parties	**2,911**	2,944
Guarantees issued on behalf of the Company	**69,107**	75,348
Short term benefits of key management personnel (salaries, benefits and bonuses)	**15,645**	11,195
Interest expense on loan obtained from Finance House	**192**	145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

29 FIDUCIARY ACTIVITIES

The Group held-under-trust the following assets:

	31 December 2017 AED'000	31 December 2016 AED'000
Shares (at market value)	**10,305**	10,932
Bank balances	**3,089**	4,176

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

30 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year/period attributable to the owners of the Company by the number of shares outstanding during the year/period.

	31 December 2017 AED'000	31 December 2016 AED'000
Profit for the year/period	**7,588**	884
Weighted average number of ordinary shares	**577,500**	577,500
Earnings per share	**0.013**	0.002

There were no potentially dilutive securities as at 31 December 2017 or 31 December 2016, and accordingly, diluted earnings per share are the same as basic earnings per share.

31 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 period ended 31 December 2017 and the year ended 31 December 2016 are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

31 SEGMENT INFORMATION [CONTINUED]

Business segments

	Asset Management AED'000	Merchant Banking AED'000	Principal Investments AED'000	Total AED'000
31 December 2017				
Operating income	**3,585**	**1,698**	**125,692**	**130,975**
Net segment results	**(626)**	**(4,024)**	**13,589**	**8,939**
Segment assets	**-**	**-**	**782,394**	**782,394**
Segment liabilities	**503**	**1,711**	**60,192**	**62,406**
31 December 2016				
Operating income	2,777	2,596	99,355	104,728
Net segment results	(2,710)	(2,455)	8,649	3,484
Segment assets	-	-	833,363	833,363
Segment liabilities	870	1,664	113,210	115,744

Geographical segments

	KSA AED'000	UAE AED'000	Others AED'000	Total AED'000
31 December 2017				
Operating income	**22,687**	**106,478**	**1,810**	**130,975**
Net segment results	**1,670**	**9,146**	**(1,877)**	**8,939**
Segment assets	**13,817**	**765,984**	**2,593**	**782,394**
Segment liabilities	**3,921**	**58,100**	**385**	**62,406**
31 December 2016				
Operating income	19,015	85,651	62	104,728
Net segment results	5,444	1,035	(2,995)	3,484
Segment assets	14,631	818,296	436	833,363
Segment liabilities	3,500	112,009	235	115,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

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

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

Internal Audit
Risk management processes throughout the Group are audited annually by the internal audit function which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee. The Internal Audit has direct reporting lines to the Audit Committee in order to secure independence and objectivity in all audit engagements undertaken within the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

32 RISK MANAGEMENT [CONTINUED]

(b) Market risk [continued]

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 period.

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 2017.

	Effect on profit AED'000
31 December 2017	
+100 increase in basis point	1,494
-100 decrease in basis point	(1,494)
31 December 2016	
+100 increase in basis point	1,239
-100 decrease in basis point	(1,239)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

32 RISK MANAGEMENT [CONTINUED]

(b) Market risk [continued]

	Assumed level of equity change %	**Impact on net income 31 December 2017 AED'000**	Impact on net income 31 December 2016 AED'000
Investments carried at fair value through profit or loss			
Abu Dhabi Securities Market Index	5%	**650**	489
Dubai Financial Market Index	5%	**967**	940
Other markets	5%	**1,290**	981

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 2017) 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 net income 31 December 2017 AED'000**	Impact on net income 31 December 2016 AED'000
Investments carried at fair value through other comprehensive income			
Abu Dhabi Securities Market Index	5%	**915**	920
Dubai Financial Market Index	5%	**962**	1,086

(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.

	31 December 2017 AED'000	31 December 2016 AED'000
Balances with banks	**143,707**	**145,937**
Amounts due from related parties	**7,310**	259
Sukuk investments	**39,118**	68,989
	190,235	215,185

(d) Liquidity risk and funding management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

32 RISK MANAGEMENT [CONTINUED]

(d) Liquidity risk and funding management [continued]

Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2017 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	98,715	45,094	-	-	143,809
Amounts due from related parties	7,310	-	-	-	7,310
Investments, including associates and joint venture	55,567	216,746	-	-	272,313
Other assets	17,456	10,592	-	-	28,048
Non-financial assets	5,136	-	122,750	203,031	330,918
Total assets	**184,184**	**272,432**	**122,750**	**203,031**	**782,397**
Liabilities					
Term loans	3,273	8,755	24,397	-	36,425
Other liabilities	10,053	3,645	12,283	-	25,981
Total liabilities	**13,326**	**12,400**	**36,680**	**-**	**62,406**

The maturity profile of the financial assets and liabilities at 31 December 2016 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	82,953	63,192	-	-	146,145
Amounts due from related parties	259	-	-	-	259
Investments, including associates and joint venture	48,196	225,620	-	-	273,816
Other assets	34,858	4,146	1,313	-	40,317
Non-financial assets	42,219	-	132,469	198,138	372,826
Total assets	**208,485**	**292,958**	**133,782**	**198,138**	**833,363**
Liabilities					
Term loans	3,295	9,701	60,183	-	73,179
Other liabilities	29,405	1,451	11,709	-	42,326
Total liabilities	**32,700**	**11,152**	**71,892**	**-**	**115,744**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017 [continued]

32 RISK MANAGEMENT [CONTINUED]

(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 2017 and the period ended 31 December 2016.

33 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 period ended 31 December 2017:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Carried at fair value through profit or loss				
Quoted equities	55,567	-	-	55,567
Carried at fair value through other comprehensive income				
Quoted equities	37,541	-	-	37,541
Sukuk investments	-	26,618	12,500	39,118
Unquoted equities	-	-	12,286	12,286
	37,541	26,618	24,786	88,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017 [continued]

33 FAIR VALUE OF FINANCIAL INSTRUMENTS [CONTINUED]

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2016:

	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				
Quoted equities	48,196	-	-	48,196
Carried at fair value through other comprehensive income				
Quoted equities	40,130	-	-	40,130
Sukuk investments	-	68,989	-	68,989
Unquoted equities	-	7,248	7,487	14,735
	40,130	76,237	7,487	123,854

Transfers between categories
During the reporting year ended 31 December 2017 and the period ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and there are transfers into oand 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 2017 AED'000	31 December 2016 AED'000
Balance at the beginning of the year/period	**7,487**	50,340
Revaluation reverse during the year/period	**(147)**	147
Reclassed during the year/period	**17,446**	(43,000)
	24,786	7,487