Mawarid Finance P.J.S.C.

Consolidated Financial Statements

for the year ended 31 December 2018

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MAWARID FINANCE

Directors' Report:

On behalf of Mawarid Finance Board of Directors, we are pleased to announce that Mawarid Finance PJSC Financial results show continued focus on our core business model, even if the overall results are not immediately obvious as these have been impacted by fair value losses on investment in properties, credit provisioning on our financing segment and share of our loss from our investments in Associates.

The financial performance for the period ended 31 December 2018 underscores the fact that plans to turn Mawarid Finance around by significantly transforming its operations which are now underway. In these testing times, it takes a well-defined strategy to achieve sustainable growth; a balanced management approach to deliver core business performance; due diligence to mitigate risk and prudent growth to maintain prime assets quality; underpinned by deep understanding of operating environments to drive product and service innovation.

Performance Overview:

The year 2018, was marked with difficulties in global trade investment flows and heightened policy uncertainty exacerbate by low average oil prices and a general weak economic environment leading to sharp decline in property prices in UAE. This was coupled with the new finance company regulation introduced by the central bank with a large number of restrictions and limitations on finance company activities. Despite the challenges we were able to continue our expansion plan on technology front with 100% acquisition of a software development company.

We believe in building on firm foundation and do not compromise future success for short-term gains. We rigorously adhere to its core operating philosophy of revenue growth with sustainability and diversification, intelligent cost control and conservative provisioning.

- Consolidated net loss, attributable to equity shareholders of the parent, for the Year 2018 of AED 138.56 million as against net loss of AED 191.78 million in 2017.

- Total Balance sheet footing decreased by AED 191.53 million representing a 12% drop to reach AED 1.45 Billion (2017: AED 1.65 Billion) due to significant devaluation of the property values, credit provisioning and share of our loss from our investments in Associates.

- Despite the new regulations on Labour Guarantee which actually resulted in a major rundown on our liability book, we were successful in containing the rundown by only 6% of our Wakala portfolio. Customers' deposits in the form of Wakala deposits were down by 6% to reach AED 542.87 million (2017: AED 578.20 million) ,.

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As the business combinations offered by our model becomes more apparent and as regional markets improve, we expect opportunities to secure rewarding deals for our shareholders in the coming years.

Finally, our success is attributed to our clients for their loyalty. The vision and assistance of our different regulators, particularly Central Bank of UAE and the Sharia Supervisory Board, has also been indispensable to achieve our progress.

It's once again my pleasure to thank our shareholders and clients for their continuing support and for the trust shown in our ability to service their needs across Mawarid Finance PJSC.

Despite continued uncertainty in terms of the timing, pace and scope of economic recovery issue, Mawarid Finance and its board of Directors are cautiously optimistic of maintaining its progress and expect positive performance in the upcoming years.

Allah the Almighty is the purveyor of all success

Mohamed Al Nuaimi
Managing Director and Chief Executive Officer

26 MAR 2019

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KPMG

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Independent Auditors' Report

To the Shareholders of Mawarid Finance P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mawarid Finance P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Director's report as set out on page 1 and 2.

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

Other Information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) As disclosed in note 15.1 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;

vi) note 33 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018.

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 26 MAR 2019

Mawarid Finance P.J.S.C.

Consolidated statement of financial position

as at 31 December 2018

	Note	31 December 2018 AED '000	31 December 2017 AED '000
Assets			
Cash and balances with banks and financial institution	*11*	**113,283**	183,884
Financing and investing assets	*13*	**230,706**	278,256
Investment properties	*14*	**203,303**	214,512
Investment securities	*15*	**235,887**	244,619
Equity accounted investees	*16*	**384,187**	433,917
Goodwill	*17*	**9,132**	9,132
Property and equipment	*18*	**102,402**	142,617
Intangible assets	*19*	**82,402**	6,050
Other assets	*20*	**93,396**	133,242
TOTAL ASSETS		**1,454,698**	1,646,229
Equity and liabilities			
Equity			
Share capital	*21*	**1,000,000**	1,000,000
Treasury shares	*21*	**(11,500)**	(11,500)
Statutory reserve	*22*	**40,659**	40,659
General reserve	*23*	**40,659**	40,659
Investment revaluation reserve		**(15,000)**	-
Impairment Reserve	*13*	**20,776**	-
Accumulated losses		**(274,254)**	(122,980)
Attributable to equity holders of the Parent		**801,340**	946,838
Non-controlling interest	*24*	**1,534**	4,964
Total equity		**802,874**	951,802
Liabilities			
Wakalah deposits	*25*	**542,869**	578,220
Other liabilities	*26*	**108,955**	116,207
Total liabilities		**651,824**	694,427
TOTAL EQUITY AND LIABILITIES		**1,454,698**	1,646,229

Omran Al - Owais
Chairman

Mohamed Al Nuaimi
Managing Director & CEO

The notes on pages 12 to 74 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on page 3-6.

Mawarid Finance P.J.S.C.

Consolidated statement of profit or loss

for the year ended 31 December 2018

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Continuing operations			
Profit from financing and investing assets	*27*	**36,455**	31,990
Profit from Islamic deposits and wakalah placements	*28*	**1,780**	3,401
Revenue from IT Services	*29*	**20,883**	-
Unrealised loss on revaluation of investment properties / foreclosed assets	*14 & 20*	**(70,409)**	(46,742)
(Loss) / gain on investment carried at FVTPL		**(2,298)**	16,029
Other income	*30*	**48,044**	20,690
Loss on available for sale investments		**-**	(1,358)
Total income		**34,455**	24,010
General and administrative expenses	*31*	**(105,389)**	(107,062)
Cost of sales relating to IT services	*29*	**(4,403)**	-
Total expenses		**(109,792)**	(107,062)
Depositors' share of profit		**(2,147)**	(937)
Provision charge on impairment	*13*	**(14,785)**	(100,974)
Loss before share of equity accounted investees for the year		**(92,269)**	(184,963)
Share of loss from equity accounted investees	*16*	**(46,721)**	(6,246)
Loss from continuing operations		**(138,990)**	(191,209)
Discontinued operation			
Loss from discontinued operation	*32*	**(3,140)**	(2,474)
Loss for the year		**(142,130)**	(193,683)
Attributable to:			
Equity holders of the Parent		**(138,556)**	(191,784)
Non-controlling interest	*24*	**(3,574)**	(1,899)
		(142,130)	(193,683)

The notes on pages 12 to 74 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on page 3-6.

Mawarid Finance P.J.S.C.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	31 December 2018 AED '000	31 December 2017 AED '000
Loss for the year	**(142,130)**	(193,683)
Other comprehensive income:		
Items that will never be reclassified to the consolidated statement of profit or loss:		
Fair value movement in investment in financial assets at fair value through other comprehensive income	**(15,000)**	-
Items that are or may be reclassified to the consolidated statement of profit or loss:		
Changes in fair value of available for sale investments	**-**	(999)
Available for sale investments reclassified to the consolidated profit or loss	**-**	1,358
Total comprehensive loss for the year	**(157,130)**	(193,324)
Total comprehensive loss attributable to:		
Equity holders of the Parent	**(153,556)**	(191,425)
Non-controlling interest	**(3,574)**	(1,899)
Total comprehensive loss for the year	**(157,130)**	(193,324)

The notes on pages 12 to 74 are an integral part of these consolidated financial statements.

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Mawarid Finance P.J.S.C.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Available to equity holders of the Parent									
	Share capital	Treasury shares	Statutory reserve	General reserve	Investment revaluation reserve	Impairment reserve	Accumulated loss / retained earning	Total	Non-controlling interest	Total
	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000
Balance at 1 January 2018	1,000,000	(11,500)	40,659	40,659	-	-	(122,980)	946,838	4,964	951,802
Impact of adopting IFRS 9 at 1 January 2018 (refer note 6)	-	-	-	-	-	12,909	(3,352)	9,557	-	9,557
Impact of adopting IFRS 15 at 1 January 2018 (refer note 6)	-	-	-	-	-		(1,499)	(1,499)	-	(1,499)
Restated balance at 1 January 2018	1,000,000	(11,500)	40,659	40,659	-	12,909	(127,831)	954,896	4,964	959,860
Loss for the year	-	-	-	-	-		(138,556)	(138,556)	(3,574)	(142,130)
IFRS 9 reserve movement (refer note 13)	-	-	-	-	-	7,867	(7,867)	-	-	-
Other comprehensive income:										
Fair value movement in investment in financial assets at fair value through other comprehensive income	-	-	-	-	(15,000)	-	-	(15,000)	-	(15,000)
Total comprehensive loss for the year	-	-	-	-	(15,000)	7,867	(146,423)	(153,556)	(3,574)	(157,130)
Transactions with owners of the Group										
Acquisition of Subsidiary	-	-	-	-	-	-	-	-	144	144
Balance at 31 December 2018	1,000,000	(11,500)	40,659	40,659	(15,000)	20,776	(274,254)	801,340	1,534	802,874
Balance at 1 January 2017	1,000,000	(11,500)	40,659	40,659	(359)	-	98,459	1,167,918	6,863	1,174,781
Loss for the year	-	-	-	-	-	-	(191,784)	(191,784)	(1,899)	(193,683)
Other comprehensive income:										
Changes in fair value of available for sale investments	-	-	-	-	(999)	-	-	(999)	-	(999)
Available for sale investments reclassified to profit or loss	-	-	-	-	1,358	-	-	1,358	-	1,358
Total comprehensive loss for the year	-	-	-	-	359	-	(191,784)	(191,425)	(1,899)	(193,324)
Transactions with owners of the Group										
Dividend	-	-	-	-	-	-	(29,655)	(29,655)	-	(29,655)
Balance at 31 December 2017	1,000,000	(11,500)	40,659	40,659	-	-	(122,980)	946,838	4,964	951,802

The notes on pages 12 to 74 are an integral part of these consolidated financial statements.

Mawarid Finance P.J.S.C.

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Cash flows from operating activities			
Loss for the year		**(142,130)**	(193,683)
Adjustments for:			
Depreciation of property and equipment	*18*	**5,136**	4,011
Amortisation of intangible assets	*19*	**2,956**	2,017
Profit from Islamic deposits and wakalah placements	*28*	**(1,780)**	(3,401)
Depositors' share of profit		**2,147**	937
Loss from equity accounted investees	*16*	**46,721**	6,246
Provision made against financing and investing assets	*13*	**14,785**	100,974
Opening ECL adjustment as per IFRS 9 on financing and investing assets	*6*	**11,067**	-
Write-off of investment properties		**-**	2,612
Unrealised loss on investment properties / foreclosed assets	*14 & 20*	**70,409**	46,742
Realised loss on sale of foreclosed assets	*30*	**2,516**	-
Gain from bargain purchase on acquisition of BML Technology LLC	*24.3*	**(25,407)**	-
		(13,580)	(33,545)
Changes in:			
Islamic deposits with banks and other financial institutions		**59,618**	(20,351)
Financing and investing assets		**32,765**	(9,332)
Other assets		**38,291**	(4,375)
Wakalah deposits		**(35,351)**	109,146
Other liabilities		**(22,202)**	23,962
Cash generated from operating activities		**59,541**	65,505
Depositors' share of profit paid		**(2,147)**	(937)
Net cash generated from operating activities		**57,394**	64,568
Cash flows from investing activities			
Purchase of property and equipment	*18*	**(17,762)**	(8,139)
Purchase of investment properties	*14*	**-**	(6,264)
Proceeds from disposal of foreclosed assets		**5,475**	-
Movement in investment securities		**(6,041)**	(21,530)
Purchase of intangible assets	*19*	**(1,054)**	-
Profit received on Islamic deposits and wakalah placements	*28*	**1,780**	3,401
Acquisition of subsidiary	*24*	**(55,102)**	-
Purchase of equity accounted investees	*16*	**-**	(11,205)
Net cash used in investing activities		**(72,704)**	(43,737)
Cash flows from financing activities			
Dividend paid		**(855)**	(26,896)
Net cash used in financing activities		**(855)**	(26,896)
Net decrease in cash and cash equivalents		**(16,165)**	(6,065)
Cash and cash equivalents at the beginning of the year		**112,840**	118,905
Cash and cash equivalents at the end of the year	*12*	**96,675**	112,840

The notes on pages 12 to 74 are an integral part of these consolidated financial statements.

The independent auditors' report on consolidated financial statements is set out on page 3-6.

1 Establishment and operations

Mawarid Finance P.J.S.C. (the "Company") was registered on 4 December 2006 as a Private Joint Stock in accordance with UAE Federal Law No. 8 of 1984, as amended, and replaced by Federal Law No. 2 of 2015. The address of the Company's registered office is P.O. Box 212121, Dubai, United Arab Emirates ("UAE").

The Company is licensed by the Central Bank of the UAE as a finance company and is primarily engaged in Islamic Shari'a compliant financing and investment activities involving products such as Ijara, Forward Ijara, Murabaha, Musharaka and Wakalah. The activities of the Company are conducted in accordance with Islamic Shari'a, which prohibits usury, and as per the provisions of its Memorandum and Articles of Association.

The consolidated financial statements includes the results of the operations of the Company, its subsidiaries and equity accounted investees (collectively referred to as "the Group"). Details of the Company's subsidiaries and equity accounted investees are mentioned in note 24 and note 16 of these consolidated financial statements.

The Company has an indirect investment in Qeemat Al Shumookh Properties LLC, a UAE based company through its directors who holds 100% interest in this company.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable law of UAE Federal Law No. 2 of 2015.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

i) financial instruments at fair value through profit and loss ("FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI") (applicable from 1 January 2018);
iii) financial assets at available-for-sale (AFS) are measured at fair value (applicable before 1 January 2018); and
iv) investment properties.

2.3 Functional and presentation currency

These consolidated financial statements have been prepared in United Arab Emirates Dirham (AED) rounded to nearest thousand, which is the Group's functional and presentation currency.

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

2 Basis of preparation *(continued)*

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and equity accounted investees. Subsidiaries are entities controlled by the Group.

(i) Subsidiary

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements of the Group from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest (NCI). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the cumulative translation differences recorded in equity;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in consolidated OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

2 Basis of preparation *(continued)*

2.5 Basis of consolidation *(continued)*

(i) Subsidiary (continued)

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 measurement.

(ii) Equity accounted investees

The Group's interest in equity accounted investees comprises interest in associates. An equity accounted investees 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.

The Group’s investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as ‘Share of profit or loss from equity accounted investees’.

Estimating recoverable amount involves making an estimate of the expected future cash flows from the associates and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

2 Basis of preparation *(continued)*

2.5 Basis of consolidation *(continued)*

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

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency translation gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Islamic shari'a definitions

The following terms are used in the consolidated financial statements with the meaning specified:-

Shari'a

Shari'a is the Islamic law which is essentially derived from the Quran and Sunnah that governs beliefs and conducts of human beings. The Group, incorporates the Shari'a rules and principles in its business activities.

Ijarah

An agreement whereby the Group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rental (which predominantly represent the cost of the leased asset).

Forward Ijarah

Forward Ijarah (Ijarah Mausoofa Fiz Zimma) is an agreement whereby the Group (the "Lessor") agrees to provide, on a specified future date, a certain described asset on lease to its customer (the "Lessee") upon its completion and delivery by the developer, contractor or customer, from whom the Group has purchased the same, by way of Istisna.

3 Islamic shari'a definitions *(continued)*

Forward Ijarah (continued)

The Forward Ijarah agreement specifies the description of the leased asset, duration of the lease term, and the basis for rental calculation and the timing of rental payment.

During the construction period, the Group pays to the developer/contractor one payment or multiple payments, Forward Ijarah profit during the construction period will be accounted for on a time-apportioned basis over the construction period on account of rentals. These profit amounts are received either during the construction period as advance rental payment or with the first or second rental payment after the commencement of the lease.

The lease rental under Forward Ijarah commences only upon the Lessee having received possession of the leased asset from the Lessor, which is when the asset moves to Ijarah.

Murabaha

A contract whereby the Group (the “Seller”) sells an asset to its customer (the “Purchaser”), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

Mudaraba

A contract between two parties whereby one party is a fund provider (the “Rab Al Mal”) who would provide a certain amount of funds (the “Mudaraba Capital”), to the other party (the “Mudarib”). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle Mudaraba profit is distributed on declaration/distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

3 Islamic shari'a definitions *(continued)*

Wakalah

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakala profit is distributed on declaration/distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

Musharaka

An agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration/distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally accounted for on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Group receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

Sukuk

These comprise asset backed, Sharia'a compliant trust certificates.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except changes in accounting policies resulting from the adoption of IFRS 9 and IFRS 15 as described below.

Transition

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Group. Accordingly, the impact on the comparative information due to adoption of IFRS 15 is limited only to new disclosure requirements (refer note 4.4 (iii))

4 Significant accounting policies *(continued)*

Transition (continued)

However, changes in accounting policies resulting from the adoption of IFRS 9 have been applied as follows:

- Comparative periods have not been restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings as of 1 January 2018.

  Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and is therefore not comparable to the information presented for the period under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  o The determination of the business model within which a financial asset is held.

  o The designation and revocation or previous designations of certain financial assets and financial liabilities measured at FVTPL.

  o The designation of certain investments in equity instruments not held for trading as FVTOCI.

IFRS 7 Financial Instruments - Disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Group together with IFRS 9, for the year beginning 1 January 2018. Refer note 6 for the transition disclosures.

4.1 Financial Instruments

Recognition and initial measurement

The Group initially recognises financing and investing assets, wakalah placements, other receivables and payables on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

4.1.1 Financial assets

a) Classification

Policy applicable from 1 January 2018

The Group classifies financial assets on initial recognition in the following categories:

(i) Amortised cost;
(ii) Fair value through other comprehensive income (FVTOCI); and
(iii) Fair value through profit or loss (FVTPL).

The above classification is based on both:

o the entity's business model for managing the assets; and
o the instrument's contractual cash flow characteristics.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

a) Classification *(continued)*

Policy applicable from 1 January 2018 (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at portfolio level, because this reflects the way the business is managed and information is provided to the management. The assessment is not determined by a single factor or activity. Instead, the entity considers all relevant information available at the date of the assessment. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio and the financial asset held within the portfolio is evaluated and reported to the management.
- The risks that affect the performance of the portfolio and, in particular, the way in which those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows is solely payments of principal and profit (SPPP)

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument.

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash from specified assets;
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

a) Classification *(continued)*

Policy applicable from 1 January 2018 (continued)

Assessment whether contractual cash flows is solely payments of principal and profit (SPPP) (continued)

Non-recourse financing

In some cases, financings made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse financing meet the SPPP criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the financing;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse financing;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

(i) Financial assets at amortized cost

A debt instrument, including financing and investing asset is classified as being measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

A debt instrument is classified as being measured at FVTOCI if it meets the following two conditions and the debt instrument and is not designated at FVTPL:

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

The Group measures all equity investments at fair value through profit or loss, except where the Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group’s policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. This election is made on an investment-by-investment basis.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments

4.1.1 Financial assets

a) Classification *(continued)*

Policy applicable from 1 January 2018 (continued)

(iii) Financial assets at fair value through profit or loss (FTVPL)

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Policy applicable before 1 January 2018

Fair value through profit or loss ("FVTPL")

Investments in equity and debt instruments are classified as financial assets at fair value through profit or loss, unless the Group designates them as an investment that is not held for trading and are accordingly classified as available-for-sale investments.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated statement of profit or loss when Group's right to receive is established.

Loans and advances

Financing and investing assets and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. These arise when the Group provides money directly to the borrower with no intention of trading the receivable.

Available for sale

'Available-for-sale investments' are non-derivative investments that are designated as available for- sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities.

b) Subsequent measurement

Policy applicable from 1 January 2018

Financial assets at FVTPL and FVTOCI

Financial asset classified as at FVTOCI or FVTPL are subsequently measured at fair value. Financial assets not carried at fair value are subsequently measured at amortized cost using the effective profit method, less expected credit allowances.

Policy applicable before 1 January 2018

Fair value through profit or loss ("FVTPL")

Financial assets measured at FVTPL are initially recognised and subsequently measured at fair value, with any gains or losses arising in re-measurement recognised in the consolidated statement of profit or loss. All transaction costs are charged to consolidated statement of profit or loss.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

b) Subsequent measurement *(continued)*

Policy applicable before 1 January 2018 (continued)

Loans and advances

Financial assets not carried at fair value are subsequently measured at amortised cost less impairment loss, if any.

Available for sale

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Profit income is recognised in consolidated statement of profit or loss using the effective profit method. Dividend income is recognised in consolidated statement of profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in consolidated statement of profit or loss. Impairment losses are recognised in consolidated statement of profit or loss.

Other fair value changes, other than impairment losses, are recognised in the consolidated statement of profit or loss and other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity fair value reserve is reclassified to the consolidated statement of profit or loss.

c) Reclassifications

Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition except in the period after the Group changes its business model for managing financial assets. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group’s financial assets. During the current and previous financial year there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on 'Modification of financial assets' and 'Derecognition of financial assets' described in note 4.1.1 (n) and 4.1.1 (o) respectively.

Policy applicable before 1 January 2018

In cases where available-for-sale investments with a fixed maturity are reclassified as held-to-maturity investments, the fair value gains or losses until the date of the reclassification are held in OCI and amortised over the remaining life of the held-to-maturity investments using the effective profit rate method.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

d) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss in the 'net gains from foreign exchange and derivatives' line item;
- for debt instruments measured at FVTOCI (2017: AFS debt investment) that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in the consolidated statement of profit or loss in the 'net gains from foreign exchange and derivatives' line item.
- for equity instruments measured at FVTOCI (2017: AFS equity investment), exchange differences are recognised in OCI in the investments revaluation reserve; and
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in consolidated statement of profit or loss in 'net gains from investments at FVTPL'.

e) Impairment

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Balances with banks and financial institution;
- Financing and investing assets;
- Other assets (excluding prepayments and foreclosed assets); and
- Financing commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1: When financial assets are first recognised, the Group recognises an allowance based on 12 months ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument' that are possible within the 12 months after the reporting date.

Stage 2: When financial assets has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECL). LTECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3: Financial assets considered credit-impaired. The group records an allowance for the LTECLs.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

e) Impairment *(continued)*

Policy applicable from 1 January 2018 (continued)

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate (EPR); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

However, for unfunded exposures, ECL is measured as follows:

- for undrawn financing commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the financing and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financing and investing assets that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EPR, regardless of whether it is measured on an individual basis or a collective basis.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

These parameters are generally derived from internally developed statistical models, other historical data and are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- PD – PD is the estimate of likelihood of default over a given time horizon, which is calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories of counterparties and exposures.
- EAD – EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

e) Impairment *(continued)*

Policy applicable from 1 January 2018 (continued)

- LGD – LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term of maturity;
- industry; and
- geography location of the borrower.

The groupings are subject to regular review to ensure that exposure within a particular group remain appropriately homogenous.

Policy applicable before 1 January 2018

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Group considers evidence of impairment for financing and investing assets at both a specific asset and a collective level. All individually significant financing and investing assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financing and investing assets that are not individually significant are collectively assessed for impairment by grouping together financing and investing assets with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modeling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

e) Impairment *(continued)*

Policy applicable before 1 January 2018 (continued)

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate.

Impairment losses are recognised in consolidated statement of profit or loss and reflected in an allowance account against financing and investing assets. Profit on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through consolidated statement of profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the investment revaluation reserve in equity to the consolidated statement of profit or loss. The cumulative loss that is reclassified from equity to consolidated statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in consolidated statement of profit or loss. Changes in impairment attributable to application of the effective profit method are reflected as a component of profit income.

If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through consolidated statement of profit or loss; otherwise, any increase in fair value is recognised through consolidated statement of profit or loss and other comprehensive income.

f) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss for any renegotiated or modified financial assets is measured as follows:-

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective profit rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

g) Purchased or originated credit-impaired (POCI) financial assets

For POCI financial assets, the Group recognises all changes in LTECL since initial recognition as a loss allowance with any changes recognised in consolidated statement of profit or loss. A favourable change for such assets creates an impairment gain.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

h) Default definition

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 4.1.1 (i)).

The Group considers a financial asset to be in default when the borrower is in past due and unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held).

i) Assessment of significant increase in credit risk

The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The assessment is performed on at least quarterly basis for each individual exposure.

Quantitative thresholds are established for the significant increase in the credit based on the movement in grading and days past due.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the probability of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information (refer note 4.1.1 (k)) that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment. The following indicators are incorporated:

- risk grade;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the actual or expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower; and
- macroeconomic information (such as GDP growth rates, UAE Central Bank 3 months base rate, Inflation and GDP Per Capita etc.) is incorporated as part of the internal rating model.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

j) Improvement in credit risk profile

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded stage-wise (one stage at a time) from Stage 3 to Stage 2 after and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 installments (for quarterly installments) have been made or 12 months (for installments longer than quarterly) curing period is met.

k) Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group relies on a broad range of forward looking information as economic inputs such as:

- GDP growth rates;
- UAE Central Bank 3 months base rate;
- Inflation and GDP Per Capita; etc.

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 80% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 10% probability of occurring.

l) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for financing commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the financing commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

m) Write-off

The write-off policy of the Group for financing and investing assets mainly includes the following:

- Account which has been uncollectible for more than 5 years;
- Account which has been fully provisioned; and
- All legal recourse options have been fully utilized and the account still remains unpaid.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

n) Modification of financial assets

Policy applicable from 1 January 2018

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPP, change in currency or change of counterparty, the extent of change in profit rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit. If the difference in present value is material, the Group deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing covenants.

If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

n) Modification of financial assets *(continued)*

Policy applicable from 1 January 2018 (continued)

If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

If the modification of a financial asset measured at amortised cost or FVTOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in the consolidated statement of profit or loss. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income calculated using the effective profit rate method.

Policy applicable before 1 January 2018

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as revenue income calculated using the effective profit rate method.

o) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 borrowing for the proceeds received.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new financing and investing assets is considered to be originated credit impaired. This applies only in the case where the fair value of the financing and investing assets is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.1 Financial assets *(continued)*

o) Derecognition of financial assets *(continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain / loss previously recognised in OCI is not subsequently reclassified to consolidated statement of profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss. A cumulative gain / loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain / loss previously recognised in OCI is not subsequently reclassified to consolidated statement of profit or loss.

4.1.2 Financial liabilities

a) Classification

The Group classifies its financial liabilities, other than financial guarantees and financing and investing assets commitments, as measured at amortised cost.

b) Modification of financial liabilities

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate is not materially different from the discounted present value of the remaining cash flows of the original financial liability.

In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the consolidated statement of profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Policy applicable from 1 January 2018

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in the consolidated statement of profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective profit rate on the instrument.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.2 Financial liabilities *(continued)*

c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

4.1.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

Policy applicable from 1 January 2018

The amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Policy applicable before 1 January 2018

The amount representing the initial fair value amortised over the life of the guarantee or the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other income.

The Group has not designated any financial guarantee contracts as at FVTPL.

4.1.4 Financing and investing assets commitments

Financing and investing assets commitments are firm commitments to provide credit under pre-specified terms and conditions. Commitments to provide a financing and investing asset at a below-market profit rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured as follows:

Policy applicable from 1 January 2018

At the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.1.4 Financing and investing assets commitments *(continued)*

Policy applicable before 1 January 2018

The Group recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

The Group has not designated any commitments to provide a financing and investing asset below market rate designated at FVTPL.

4.2 Financing and investing assets

Financing and investing assets consist of Murabaha receivables, Mudaraba, Musharaka, Wakalah arrangements and Ijarah contracts and they are measured at amortised cost less any amounts written off and allowance for impairment losses.

4.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group at the spot exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in the consolidated statement of profit or loss. However, foreign currency differences arising from the translation of non-monetary available for sale equity instruments are recognised in consolidated statement of profit or loss and other comprehensive income.

4.4 Revenue recognition

(i) Profit income and expense

Policy applicable from 1 January 2018

Profit income and expense for all profit bearing financial instruments except at FVTPL, are recognised in ‘profit income’ and ‘depositor's share of profit’ in the consolidated statement of profit or loss on an accrual basis using the effective profit rates of the financial assets or financial liabilities to which they relate.

4 Significant accounting policies *(continued)*

4.1 Financial Instruments *(continued)*

4.4 Revenue recognition *(continued)*

(i) Profit income and expense (continued)

Policy applicable before 1 January 2018

Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective profit rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including ECL.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Calculation of profit income and expense

Policy applicable from 1 January 2018

The effective profit rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating profit income and expense, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, profit income is calculated by applying the effective profit rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, profit income is calculated by applying the credit-adjusted effective profit rate to the amortised cost of the asset. The calculation of profit income does not revert to a gross basis, even if the credit risk of the asset improves.

Policy applicable before 1 January 2018

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term based on the principal amount outstanding using effective profit rate method.

Murabaha

Murabaha income is recognised on a time- apportioned basis over the period of the contract based on the principal amounts outstanding using effective profit rate method.

4 Significant accounting policies *(continued)*

4.4 Revenue recognition *(continued)*

(i) Profit income and expense (continued)

Calculation of profit income and expense *(continued)*

Policy applicable before 1 January 2018 (continued)

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis using effective profit rate method if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas losses are charged to income on their declaration by the Mudarib.

Musharaka

Income is recognised for on the basis of the reducing balance on a time-apportioned basis using effective profit rate method that reflects the effective yield on the asset.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or 'impairment allowance' before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(ii) Income on deposit and wakalah placement

Income earned on deposits and Wakalah placements is recognised on a time-apportioned basis using effective profit rate method.

(iii) Fees and commission income

Policy applicable from 1 January 2018

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Policy applicable before 1 January 2018

Fees and commission income earned from the provision of services are recognised as revenue, as and when the services are rendered or on a time proportion basis as applicable.

4 Significant accounting policies *(continued)*

4.4 Revenue recognition *(continued)*

(iv) Gain / (loss) from investments held at FVTOCI

Policy applicable from 1 January 2018

Net gain from investments at FVTOCI which arises on revaluation is recognised in OCI. Gain or loss resulting from disposal of debt securities at FVTOCI are recognised in the consolidated statement of profit or loss when they occur.

Gain or loss resulting from disposal of equity securities at FVTOCI are recognised in OCI when they occur and the resulting gain / loss is not recycled to consolidated statement of profit or loss even on disposal.

Policy applicable before 1 January 2018

Gain or loss resulting from disposal of equity securities at AFS are recognised in OCI when they occur. Gain or loss resulting from valuation are recognised in OCI until disposal at which time it will be recycled to consolidated statement of profit or loss.

(v) Gain / (loss) from financial investments at FVTPL

Net gain from financial investments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL.

(vi) Property related income

Property related income includes rental income, which is recognised on a straight line basis over the term of the lease and is recorded under 'other income' in the consolidated statement of profit or loss.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established. The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments designated at FVTOCI, dividend income is presented as Dividend Income; and
- for equity instruments at FVTPL, dividend income is presented as 'Net gains from investments at FVTPL'.

(viii) Share of profit / (loss) from equity accounted investees

Share of profit / (loss) from equity accounted investees reflects the Group's share of the results of operations of the equity accounted investees.

(ix) Margin trading income

Margin trading income is recognised when the customer utilises the funds provided by the Group. Profit income is recognised in the consolidated statement of profit or loss, using effective profit rate method. The amount is recognised under other income in the consolidated statement of profit or loss.

(x) Allocation of profit

Allocation of profit between the depositors and the shareholders is calculated according to the Group's standard procedures and is approved by the Company's Shari'a Supervisory Board.

4 Significant accounting policies *(continued)*

4.4 Revenue recognition *(continued)*

(xi) Foreign exchange gain

Exchange gain is recognised at the time of sale and purchase of currencies, issuance of demand drafts, telegraphic transfers and processing remittance transactions. Net gains / losses on currency exchange transactions are recognised when the transactions take place and are recognised in other income in the consolidated statement of profit or loss.

(xii) Revenue from IT Services

Revenue is recognized when the performance obligations of the contracts are satisfied according to IFRS 15. The performance obligation of the contracts related to the sale of software are considered satisfied on the delivery phase.

4.5 Fair value measurement

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

4 Significant accounting policies *(continued)*

4.6 Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. On going repairs and maintenance are expensed as incurred.

iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their useful lives, and is generally recognised in consolidated statement of profit or loss. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

	Years
Office building	25
Furniture and fixtures	4
Office and IT equipment	3-5
Motor vehicles	5

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss.

iv) Capital work in progress

Capital work in progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated in accordance with the Group’s policies.

4.7 Intangible assets and goodwill

i) Goodwill

Goodwill arising on acquisition of subsidiary is measured at cost less accumulated impairment losses.

ii) Research and development

Expenditure on research activities is recognised in consolidated statement of profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in consolidated statement of profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

4 Significant accounting policies *(continued)*

4.7 Intangible assets and goodwill *(continued)*

iii) Intangible assets

Intangible asset acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset and fair value can be measured reliably. The cost of such intangible asset is its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset acquired is recorded at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The intangible asset is amortised over a period of five years, except for licenses which have infinite useful life, where no amortisation is being charged.

4.8 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the consolidated statement of profit or loss. The Group determines fair value for majority of their properties on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers are made to and from investment properties when, and only when there is change in use evidenced by ending or commencing of owner-occupation, ending or commencement of an operating lease of another party or ending of construction or development.

4.9 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash in hand, un-restricted current accounts balances with banks and financial institutions and Islamic deposits with original maturity of three months or less.

4.10 Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties 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 is 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.

4 Significant accounting policies *(continued)*

4.10 Impairment of non financial assets *(continued)*

Impairment losses are recognised in consolidated statement of 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.

4.11 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows to reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.13 Wakalah deposit

Wakalah deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit method. The Group is entering into Wakalah agreement with its customers.

Wakala

An agreement between Group and third party whereby one party (Muwakil) provides certain amount of funds which the other party (Wakil) would invest according to the terms and conditions of Wakalah in return for a certain fee. The Wakil is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakalah. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakalah profit is distributed on declaration/distribution by the Wakil.

4.14 Staff terminal benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

4 Significant accounting policies *(continued)*

4.14 Staff terminal benefits *(continued)*

Contributions to retirement pension for UAE nationals

The Group contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

4.15 Leasing

The Group has entered into leasing arrangements which based on the evaluation of the terms and condition of the leasing arrangement has been classified as operating lease. Leases are classified as operating leases if risk and reward incidental to ownership of the leased asset lie with lessor.

Group as lessor
Asset subjected to operating lease are presented in the consolidated statement of financial position according to the nature of the asset. Income from operating leases are recognised in the consolidated statement of profit or loss on straight line basis over the lease term.

Group as lessee
Lease payments under operating leases are recognised as expense on a straight line basis over the lease term.

4.16 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

4.17 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them 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 under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.18 New and revised IFRSs applied on the consolidated financial statements

The following new and revised IFRS have been adopted in these consolidated financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods.

	Effective for annual periods beginning on or after
• Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28 to remove short-term exemptions and clarifying certain fair value measurements	1 January 2018

4 Significant accounting policies *(continued)*

4.18 New and revised IFRSs applied on the consolidated financial statements *(continued)*

	Effective for annual periods beginning on or after
• Amendments to IFRS 7 'Financial Instruments' related to disclosures about the initial application of IFRS 9	1 January 2018
• IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
• Amendments to IAS 40 'Investment Property' clarifying transfers of property to, or from, investment property	1 January 2018

4.19 New and revised standards in issue but not yet effective

(a) IFRS 16 *Leases*

The Group is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Company is a lessee

The Group will recognise new assets and liabilities for its operating leases of the premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group is in the process of evaluating the potential impact of IFRS 16 on the consolidated financial statements.

ii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(b) Other standards

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

5 Key accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:-

5.1 Going concern

The Group's management has made an assessment of its ability to continue as going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

5.2 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

5.3 Useful life of property and equipment

The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:-

- expected usage of the assets;
- expected physical wear and tear, which depends on operational and environmental factors; and
- legal or similar limits on the use of the assets.

Management considers the depreciation method utilised reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group. Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be immaterial.

5.4 Valuation of unquoted investments

The Group measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

5 Key accounting estimates and judgments *(continued)*

5.4 Valuation of unquoted investments (continued)

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

5.5 Valuation of investment properties and foreclosed assets

The fair value of major investment property and foreclosed assets was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Other investment properties and foreclosed assets have been assessed internally by the Group.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Group has taken the best use fair values for the fair value measurement of its investment properties and foreclosed assets.

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
		The estimated fair value increase / decrease if:
Investment method	Expected market rental growth	Expected market rental growth were higher or lower
	Risk adjusted discount rates	The risk adjusted discount rates were lower / higher
	Free hold property	The property is not free hold
	Free of covenants, third party rights and obligations	The property is subject to any covenants, rights and obligation
	Statutory and legal validity	The property is subject to any legal notices / judgment
	Conditions of the property	The property is subject to any defect / damages

Policy applicable from 1 January 2018

5.6 Financial asset classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

5.7 Significant increase in credit risk

As explained in note 4.1.1 (e), ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5 Key accounting estimates and judgments *(continued)*

Policy applicable from 1 January 2018 (continued)

5.8 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 4.1.1 (e) for details of the characterics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

5.9 Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 4.1.1 (e) for more details on ECL.

5.10 Key sources of estimation uncertainty

The following are key estimations that have been used in the process of applying the Group's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Policy applicable before 1 January 2018

5.11 Impairment losses on financing and investing assets and other receivables

The Group reviews its portfolios of financing and investing assets and other receivable to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio within financing and investing assets and other receivable before the decrease can be identified with an individual receivable in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss. Experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6 Summary of impact analysis as per IFRS 9 and 15

The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 and Impact of adopting IFRS 15 for the Group's financial assets and financial liabilities with the effect on opening retained earnings as at 1 January 2018.

	Original classification as per IAS 39	**New classification as per IFRS 9**	**Original carrying amount AED '000**	**ECL (charge) / reversal under IFRS 9 AED '000**	**Impact of adopting IFRS 15 AED '000**	**New carrying amount AED '000**
Financial assets						
Balances with banks and financial institutions	Other amortised cost	Amortised cost	183,884	-	-	183,884
Financing and investing assets (note 13)	Other amortised cost	Amortised cost	278,256	11,067	-	289,323
Investment securities	FVTPL	FVTPL	126,132	-	-	126,132
Investment securities	AFS	FVTOCI	118,487	-	-	118,487
Other assets (excluding prepayments and foreclosed assets)	Other amortised cost	Amortised cost	85,029	18,198	-	103,227
			791,788	**29,265**	**-**	**821,053**
Non-financial asset						
Equity accounted investees			433,917	(1,510)	(1,499)	430,908
Total financial and non-financial assets			**1,225,705**	**27,755**	**(1,499)**	**1,251,961**
Financial liabilities						
Wakalah deposits	Other amortised cost	Amortised cost	578,220	-	-	578,220
Other liabilities (excluding employees end of service benefits)	Other amortised cost	Amortised cost	111,012	18,198	-	129,210
Total financial liabilities			**689,232**	**18,198**	**-**	**707,430**
Net effect on opening retained earnings as at 1 January 2018				**9,557**	**(1,499)**	

7 Financial risk management

The Group has exposure to the following risks from financial instruments and its operations:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk; and
iv) Operational risk

Risk management framework

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Management of credit risk

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Group Asset and Liability Management Committee (ALCO), which is responsible for developing and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee. Internal audit has been outsourced to a professional consultancy firm.

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financing and investing assets to customers, balances with banks and financial institutions, investment in debt securities, other receivables, financing and investing assets commitments and contingent liabilities. For risk management reporting purposes, credit risk arising on investment securities held at FVTPL is managed independently.

The Board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit Committee, is responsible for managing the Group's credit risk, including the following:-

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of Group Credit, the Group Credit Committee or the Board of directors.

7 Financial risk management *(continued)*

i) Credit risk (continued)

Management of credit risk (continued)

- Reviewing and assessing credit risk in accordance with authorisation structure, limits and discretionary powers prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

- Developing and maintaining the Group’s risk grading's to categories exposures according to the degree of risk of financial loss faced. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. These grades are similar to and in line with the guidelines of the Central Bank of UAE. The responsibility for setting risk grades lies with the final approving credit committee, as appropriate. Risk grades are subject to regular reviews by Group Risk.

Classification	Grades
Performing	Normal
	Substandard
Non - performing	Claw
	Doubtful
	Loss

Measurement of ECL

As explained in note 4.1.1 (e), the Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk. However, for financial instruments such as credit cards and other financing facilities that include both a loan and an undrawn commitment component, the Group’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group’s exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Restructured and renegotiated loans

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. Management continuously monitors the progress on renegotiated loans to ensure compliance with the terms at all times.

7 Financial risk management *(continued)*

i) Credit risk (continued)

Exposure to credit risk

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, and expected credit allowances, if any.

31 December 2018

Balances with banks and financial institutions	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Performing	113,283	-	-	113,283
Allowance for impairment losses*	-	-	-	-
Net Carrying Amount	**113,283**	**-**	**-**	**113,283**

Financing and investing assets	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Impaired portfolio				
Performing	142,782	56,602	-	199,384
Non-performing	-	-	171,004	171,004
Allowance for impairment losses	(3,732)	(2,972)	(132,978)	(139,682)
Net Carrying Amount	**139,050**	**53,630**	**38,026**	**230,706**

Other assets (excluding prepayments and foreclosed assets)	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Performing	84,623	-	-	84,623
Allowance for impairment losses	(29,819)	-	-	(29,819)
Net Carrying Amount	**54,804**	**-**	**-**	**54,804**

Investments in funds	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Performing	139,168	-	-	139,168
Allowance for impairment losses*	-	-	-	-
Net Carrying Amount	**139,168**	**-**	**-**	**139,168**

*The impact of ECL on opening retained earnings is not material to these consolidated financial statements.

7 Financial risk management *(continued)*

i) Credit risk (continued)

Exposure to credit risk (continued)

31 December 2017

	Balances with banks and financial institutions	Financing investing and assets	Other assets (excluding prepayments and foreclosed assets	Investments in sukuks and funds
	AED'000	AED'000	AED'000	AED'000
Carrying amount, net	167,914	278,256	85,029	135,472
Impaired portfolio				
Substandard	-	11,824	-	-
Doubtful	-	11,939	-	-
Loss	-	149,693	-	-
Total impaired portfolio	-	173,456	-	-
Non Impaired portfolio				
Past due but not impaired (overdue by more than 90 days)	-	59,017	-	-
Neither past due nor impaired	167,914	189,379	85,029	135,472
Total non-impaired portfolio	167,914	248,396	85,029	135,472
Total gross carrying amount	167,914	421,852	85,029	135,472
Total provision	-	(143,596)	-	-
Net carrying amount	167,914	278,256	85,029	135,472

Contingent liabilities forming part of credit risk exposure are shown in note 34.

	31 December 2018		31 December 2017	
Financing and investing assets	**Gross carrying amount**	**Expected credit loss**	Gross carrying amount	Expected credit loss
	AED'000	**AED'000**	AED'000	AED'000
Less than 30 days	**142,782**	**3,732**	145,921	6,736
30 - 90 days	**56,602**	**2,972**	90,603	1,906
Over 90 days	**171,004**	**132,978**	185,328	123,887
Total	**370,388**	**139,682**	421,852	132,529

Impaired financing and investing assets

Impaired financing and investing assets are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and profit due according to the contractual terms of the financing agreement(s). These financing and investing assets are classified as substandard, doubtful, loss, as appropriate, which is in accordance with the guidelines issued by Central Bank of the UAE.

7 Financial risk management *(continued)*

i) Credit risk (continued)

Past due but not impaired financing and investing assets

These are financing and investing assets where contractual profit or principal payments are past due but the Group believes that impairment is inappropriate on the basis of a genuine repayment source and/or delays in receiving assigned receivables, the level of security/collateral available and/or the possible scope of collection of amounts owed to the Group.

Write-off policy

The write-off policy of the Group for financing and investing assets mainly includes the following:

a) Account which has been uncollectible for more than 5 years;
b) Account which has been fully provisioned; and
c) All legal recourse options have been fully utilized and the account still remains unpaid.

Collateral

The Group holds collateral against financing and investing assets in the form of pledges/liens over mortgaged financing. Collateral value reflects the maximum exposure or the value of collateral whichever is lower.

It is the Group's policy to ensure that financing are extended to customers within their capability to service profit and repay principal instead of relying excessively on collateral. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured. Nevertheless, collateral is and can be an important credit risk mitigant.

An estimate of the fair value of collateral and other security enhancements held against financing and investing assets to customers is shown below.

	31 December 2018 AED'000	31 December 2017 AED'000
Vehicles	**759**	2,431
Pledged deposits and shares	**4,609**	7,204
Properties	**11,549**	15,069
Total collaterals	**16,917**	24,704

7 Financial risk management *(continued)*

i) Credit risk (continued)

Concentration of Credit Risk

The Group monitors internally concentration of credit risk by sector and geographical location. An analysis of concentrations of credit risk as defined by the Group's internal approved guidelines at the reporting date is shown below:-

	Balances with banks and financial institutions		**Financing and investing assets and other assets (excluding prepayments and foreclosed assets)**		**Investments in sukuks and funds**	
	2018	2017	**2018**	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Carrying amount, net	**113,283**	167,914	**285,510**	363,285	**139,168**	135,472
Concentration by sector:						
- Banks and financial institutions	**113,283**	167,914	**-**	-	**139,168**	125,819
- Retail	**-**	-	**158,905**	181,999	**-**	-
- Corporate	**-**	-	**71,801**	96,257	**-**	-
- Others	**-**	-	**54,804**	85,029	**-**	9,653
Net total	**113,283**	167,914	**285,510**	363,285	**139,168**	135,472
Concentration by location:						
- United Arab Emirates	**91,478**	154,924	**274,802**	363,285	**-**	9,653
- Asian countries	**6,786**	1,969	**-**	-	**-**	-
- GCC	**1**	-	**-**	-	**-**	-
- Others	**15,018**	11,021	**10,708**	-	**139,168**	125,819
Net total	**113,283**	167,914	**285,510**	363,285	**139,168**	135,472

Contingent liabilities forming part of credit risk exposure are shown in note 34.

ii) Liquidity Risk

Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's Board of directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury department manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position. A summary report, including any exceptions and remedial action taken, is submitted on a regular basis to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

7 Financial risk management *(continued)*

ii) Liquidity Risk (continued)

Exposure to liquidity risk

Details of the Group's net liquid assets are summarised in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayments. The maturity profile is monitored by the management to ensure adequate liquidity is maintained.

Maturities of financial assets and financial liabilities

	Less than 3 months AED'000	**3 months to 1 year AED'000**	**From 1 to 5 year AED'000**	**More than 5 years AED'000**	**Total AED'000**
At 31 December 2018					
Financial assets					
Balances with banks and financial institutions	**102,262**	**-**	**11,021**	**-**	**113,283**
Financing and investing assets	**64,436**	**25,342**	**99,387**	**41,541**	**230,706**
Investment securities	**205**	**-**	**235,682**	**-**	**235,887**
Other assets (excluding prepayments and foreclosed assets)	**2,985**	**29,866**	**21,953**	**-**	**54,804**
Total financial assets	**169,888**	**55,208**	**368,043**	**41,541**	**634,680**
Financial liabilities					
Wakalah deposits	**45,077**	**119,211**	**378,581**	**-**	**542,869**
Other liabilities (excluding end of service benefit)	**44,219**	**24,508**	**33,364**	**-**	**102,091**
Total financial liabilities	**89,296**	**143,719**	**411,945**	**-**	**644,960**

	Less than 3 months AED'000	3 months to 1 year AED'000	From 1 to 5 year AED'000	More than 5 years AED'000	Total AED'000
At 31 December 2017					
Financial assets					
Balances with banks and financial institutions	60,046	51,078	56,790	-	167,914
Financing and investing assets	14,381	95,719	137,261	30,895	278,256
Investment securities	9,966	-	234,653	-	244,619
Other assets (excluding prepayments and foreclosed assets)	25,322	18,495	41,212	-	85,029
Total financial assets	109,715	165,292	469,916	30,895	775,818
Financial liabilities					
Wakalah deposits	15,034	63,510	314,023	185,653	578,220
Other liabilities (excluding end of service benefit)	8,348	35,544	63,218	3,902	111,012
Total financial liabilities	23,382	99,054	377,241	189,555	689,232

7 Financial risk management *(continued)*

ii) Liquidity Risk (continued)

The Group follows Shari'a principles and contractual returns are not guaranteed and are on profit or loss sharing basis.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, which can be readily available to meet liquidity requirements.

iii) Market Risk

Market Risk is the risk that changes in market prices - such as profit rates, equity prices and foreign exchange rates and credit spreads (not relating to change in the obligor's/issuer's credit standing) - will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimizing the return on risk.

Equity price risk

Equity price risk arises from investments in FVTPL and FVTOCI equity investments. The management of the Group monitors the equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management. The Group manages this risk through diversification of investments in terms of industry distribution.

The primary goal of the Group's investment strategy is to maximise investment returns.

Sensitivity analysis - equity price risk

For investments classified as fair value through other comprehensive income and fair value through profit or loss, a 5% increase as at the reporting date would have increased equity by AED 4.8 million (31 December 2017: AED 5.9 million) and consolidated statement of profit or loss by AED 7.0 million (31 December 2017: AED 6.3 million) respectively, an equal change in the opposite direction would have decreased equity and consolidated statement of profit or loss by a similar amount.

Profit rate risk

The Group is exposed to profit rate risk on its profit bearing assets and liabilities (financing and investing assets, Islamic deposits and wakalah deposits).

Sensitivity analysis - Profit rate risk

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

Below are the financial assets and financial liabilities exposed to profit rate risk:

	31 December 2018	31 December 2017
	AED'000	AED'000
Financial assets		
Financing and investing assets	**370,388**	421,852
Islamic deposits with banks and other financial institutions	**35,000**	96,000
	405,388	517,852
Financial liability		
Wakalah deposits	**(66,657)**	(88,156)
	338,731	429,696

7 Financial risk management *(continued)*

iii) Market Risk (continued)

Sensitivity analysis - Profit rate risk (continued)

A change in the profit rate by 100b.p. would have increased consolidated statement of profit or loss by AED 3.4 million (31 December 2017: AED 4.3 million) and an equal change in the opposite direction would have decreased consolidated statement of profit or loss by a similar amount.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

As at the reporting date, the significant foreign currency exposure is in Egyptian Pounds relating to investment in financial assets classified at FVTOCI with a carrying value of AED 96.5 million (31 December 2017 : AED 108.8 million) and in Euro relating to investments in financial assets classified at FVTPL amounting to AED 31.2 million (31 December 2017: AED 37.7 million).

Sensitivity analysis - currency risk

The Group is exposed to currency risk mainly in Egyptian pounds and Euro, as a change of 100 basis points in the AED exchange rate against EGP would have an impact on the equity by AED 1.0 million (31 December 2017: AED 1.1 million) and an equal change in the opposite direction would have decreased equity by a similar amount.

Similarly a change of 100 basis points in the Euro to AED exchange rate would have an impact on the consolidated statement of profit or loss AED 0.31 million (31 December 2017: AED 0.38 million) and an equal change in the opposite direction would have decreased consolidated statement of profit or loss by a similar amount.

iv) Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Group has taken measures to put in place tools, firstly to identify all such operational risks. The Group has also taken measures to implement processes and policies to mitigate the risk to an acceptable level and to avoid or minimise financial losses and damage to Group's reputation.

8 Capital management

The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by Central Bank of the UAE.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

8 Capital management *(continued)*

The Group has complied with all regulatory requirements issued by Central Bank of the UAE during the year, as the minimum share capital required by Central Bank of the UAE is AED 150 million, however, the share capital of the Group throughout the year was AED 1 billion (31 December 2017: AED 1 billion).

9 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

	At Fair Value			
At 31 December 2018	**FVTPL**	**FVTOCI**	**Amortised cost**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Financial assets				
Cash and balances with banks and financial institution	-	-	**113,283**	**113,283**
Financing and investing assets	-	-	**230,706**	**230,706**
Investment in securities	**139,373**	**96,514**	-	**235,887**
Other assets (excluding prepayments and foreclosed assets)	-	-	**54,804**	**54,804**
	139,373	**96,514**	**398,793**	**634,680**
Financial liabilities				
Wakalah deposits	-	-	**542,869**	**542,869**
Other liabilities (excluding employees end of service benefits)	-	-	**102,091**	**102,091**
	-	-	**644,960**	**644,960**

	At Fair Value			
At 31 December 2017	FVTPL	AFS	Amortised cost	Total
	AED '000	AED '000	AED '000	AED '000
Financial assets				
Cash and balances with banks and financial institution	-	-	183,884	183,884
Financing and investing assets	-	-	278,256	278,256
Investment in securities	126,132	118,487	-	244,619
Other assets (excluding prepayments and foreclosed assets)	-	-	85,029	85,029
	126,132	118,487	547,169	791,788
Financial liabilities				
Wakalah deposits	-	-	578,220	578,220
Other liabilities (excluding employees end of service benefits)	-	-	111,012	111,012
	-	-	689,232	689,232

10 Fair value of financial instrument

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

i) Fair value hierarchy of assets measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

At 31 December 2018

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	AED ’000	**AED '000**	**AED '000**	**AED '000**
FVTPL - financial assets	**205**	**-**	**139,168**	**139,373**
FVTOCI - financial assets	**-**	**-**	**96,514**	**96,514**
	205	**-**	**235,682**	**235,887**
Non financial assets				
Investment properties	**-**	**-**	**203,303**	**203,303**
Foreclosed assets	**-**	**-**	**34,949**	**34,949**
	-	**-**	**238,252**	**238,252**

10 Fair value of financial instrument *(continued)*

i) Fair value hierarchy of assets measured at fair value (continued)

At 31 December 2017

Financial assets	Level 1	Level 2	Level 3	Total
	AED '000	AED '000	AED '000	AED '000
FVTPL - financial assets	313	-	125,819	126,132
AFS	-	9,653	108,834	118,487
	313	9,653	234,653	244,619
Non financial assets				
Investment properties	-	-	214,512	214,512
Foreclosed assets	-	-	44,926	44,926
	-	-	259,438	259,438

During the year ended 31 December 2018 (31 December 2017: nil), there were no transfers of any financial asset between any of the levels in fair value hierarchy.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for financial assets held under level 3 of the fair value hierarchy.

	31 December 2018		31 December 2017	
	FVTPL	**FVTOCI**	FVTPL	AFS
	AED '000	**AED '000**	AED '000	AED '000
Balance as at 1 January	**125,819**	**108,834**	99,918	108,834
Additions	**23,774**	**2,680**	30,183	-
Disposals	**(7,431)**	-	(16,812)	-
Change in fair value	**(2,994)**	**(15,000)**	12,530	-
As at 31 December	**139,168**	**96,514**	125,819	108,834

ii) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
	AED '000	**AED '000**	**AED '000**	**AED '000**	**AED '000**
Financial assets					
Cash and balances with banks and financial institution	-	**113,283**	-	**113,283**	**113,283**
Financing and investing assets	-	-	**230,706**	**230,706**	**230,706**
Other assets (excluding prepayments and foreclosed assets)	-	-	**54,804**	**54,804**	**54,804**
	-	**113,283**	**285,510**	**398,793**	**398,793**

10 Fair value of financial instrument *(continued)*

ii) Financial instruments not measured at fair value (continued)

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
	AED '000	**AED '000**	**AED '000**	**AED '000**	**AED '000**
Financial liabilities					
Wakalah deposits	**-**	**-**	**542,869**	**542,869**	**542,869**
Other liabilities (excluding employees end of service benefit)	**-**	**-**	**102,091**	**102,091**	**102,091**
	-	**-**	**644,960**	**644,960**	**644,960**

At 31 December 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	AED '000	AED '000	AED '000	AED '000	AED '000
Financial assets					
Cash and balances with banks and financial institution	-	183,884	-	183,884	183,884
Financing and investing assets	-	-	278,256	278,256	278,256
Other assets (excluding prepayments and foreclosed assets)	-	-	85,029	85,029	85,029
	-	183,884	363,285	547,169	547,169
Financial liabilities					
Wakalah deposits	-	-	578,220	578,220	578,220
Other liabilities (excluding employees end of service benefit)	-	-	111,012	111,012	111,012
	-	-	689,232	689,232	689,232

- In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to it's fair value.
- In respect of investments in equities, sukuks, management has used the quoted price when available to assess fair value or used valuation techniques to determine the fair values.

11 Cash and balances with banks and financial institution

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Balances with Central Bank of UAE	*11.1*	**38,149**	34,008
Current accounts with banks and financial institutions	*11.2*	**20,793**	26,084
Cash in hand	*11.3*	**7,733**	15,970
Islamic deposits with banks and other financial institutions	*11.4*	**35,587**	96,801
Security deposits	*11.5*	**11,021**	11,021
		113,283	183,884

11.1 Balance with Banks and financial institutions are classified under stage 1 as per IFRS 9. However, there are no material expected credit losses and hence no provision has been recognised.

11.2 As at 31 December 2017, this includes clients money held by the Group through a subsidiary. In accordance with the regulations issued by the Securities and Commodities Authority ("SCA") the Group maintains separate bank accounts for advances received from its customers ("The Clients' Money"). The Clients' Money is not available to the Group other than to settle transactions executed on behalf of the customers.

11.3 Cash in hand mainly comprises of balance held by Mawarid Exchange LLC.

11.4 Average profit rate on Islamic deposits ranges from 3.0% to 3.25% (31 December 2017: 2.6% to 3.15%) per annum. All deposits and amounts are held with financial institutions within United Arab Emirates.

11.5 Security deposit comprises of balances held as margin deposits with correspondent banks and financial institutions for salary disbursement transactions.

12 Cash and cash equivalents

	31 December 2018 AED '000	31 December 2017 AED '000
Cash in hand, at banks and financial institutions	**66,675**	76,062
Islamic deposits with original maturity of less than 3 months.	**30,000**	46,000
Less: Client money	**-**	(9,222)
	96,675	112,840

13 Financing and investing assets

	31 December 2018 AED '000	31 December 2017 AED '000
Financing		
Ijarah financing	**54,769**	77,300
Commodity murabaha financing	**315,619**	344,552
	370,388	421,852
Allowances for impairment losses	**(139,682)**	(143,596)
Financing and investing assets – net	**230,706**	278,256

13 Financing and investing assets *(continued)*

An analysis of changes in the gross carrying and the corresponding ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**
Gross carrying as at 1 January 2018	145,921	90,603	185,328	**421,852**
Net movement in stages	(3,139)	(34,001)	(6,692)	**(43,832)**
Amounts written off	-	-	(7,632)	**(7,632)**
At 31 December 2018	**142,782**	**56,602**	**171,004**	**370,388**

	Stage 1	Stage 2	Stage 3	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**
ECL allowance as at 1 January 2018	6,736	1,906	123,887	**132,529**
Net (reversals) / impairment charge	(3,004)	1,066	16,723	**14,785**
Amounts written off	-	-	(7,632)	**(7,632)**
At 31 December 2018	**3,732**	**2,972**	**132,978**	**139,682**

	Specific provisions	Collective provisions	Total
	AED'000	**AED'000**	**AED'000**
Opening balance 1 January 2017	37,981	5,000	**42,981**
Provision charge during the year	99,174	1,800	**100,974**
Amounts written off	(359)	-	**(359)**
Closing balance 31 December 2017	**136,796**	**6,800**	**143,596**

Following table summarises changes in the provisions as per the Central Bank UAE (CBUAE) guidelines and IFRS 9 as at 1 January 2018.

	Note	CBUAE Guidelines	IFRS 9	Difference
		AED'000	**AED'000**	**AED'000**
Specific provisions	*13.1*	136,796	123,887	**12,909**
Collective provisions	*13.2*	6,800	8,642	**(1,842)**
Closing balance 31 December 2017		**143,596**	**132,529**	**11,067**

13.1 In accordance with CBUAE circular, in case where provision under CBUAE guidance exceed provision under IFRS 9, the excess is required to be transferred to impairment reserve.

13.2 Additional provision has been recorded and adjusted from retained earnings for change in collective provisions as per CBUAE circular.

13 Financing and investing assets *(continued)*

Following table summarises during the year movement of impairment reserve due to changes in the provisions as per CBUAE guidelines and IFRS 9:

	CBUAE Guidelines	IFRS 9	Difference
	AED '000	AED '000	AED '000
Specific provisions	153,658	132,978	**20,680**
Collective provisions	6,800	6,704	**96**
Closing balance 31 December 2018	**160,458**	**139,682**	**20,776**

14 Investment properties

	31 December 2018	31 December 2017
	AED '000	AED '000
Balance at 1 January	**214,512**	235,989
Additions	**-**	6,264
Transfer from property and equipment (note 18)	**52,324**	-
Disposals	**-**	-
Write-off during the year	**-**	(2,612)
Unrealised loss on revaluation of investment properties	**(63,533)**	(25,129)
Balance at 31 December	**203,303**	214,512

14.1 *Investment properties related income and expenses*

	31 December 2018	31 December 2017
	AED '000	AED '000
Rental income	**9,599**	4,851
Repairs and maintenance charges	**(5,430)**	(5,745)

15 Investment securities

	Note	**31 December 2018**	31 December 2017
		AED '000	AED '000
Financial assets at FVTPL	*15.1*	**139,373**	126,132
Financial assets at FVTOCI / AFS	*15.2*	**96,514**	118,487
		235,887	244,619

15.1 Financial assets at FVTPL

	31 December 2018	31 December 2017
	AED '000	AED '000
Equity securities-Quoted	**205**	313
Sukuks and Funds	**139,168**	125,819
	139,373	126,132

During the year ended 31 December 2018, the Group has purchased shares worth of AED 26.45 million (2017: AED 30.18 million).

15 Investment securities *(continued)*

15.2 Financial assets at FVTOCI / AFS

	31 December 2018 AED '000	31 December 2017 AED '000
Equity securities-Unquoted	**96,514**	108,834
Sukuks and Funds	**-**	9,653
	96,514	118,487

15.3 Geographical concentration of investment securities

	31 December 2018 AED '000	31 December 2017 AED '000
Within UAE		
Financial assets at FVTPL	**7**	313
Financial assets at FVTOCI / AFS	**-**	9,653
	7	9,966
Outside UAE		
Financial assets at FVTPL	**139,366**	125,819
Financial assets at FVTOCI / AFS	**96,514**	108,834
	235,880	234,653
Total investment securities	**235,887**	244,619

16 Equity accounted investees

Name	**Holding** 31 December 2018	Holding 31 December 2017	**Country of incorporation**	**Principal Activities**
Dar Al Takaful P.J.S.C	**24.7%**	24.7%	UAE	Takaful and retakaful
Levant Retail Holdings Limited	**47.6%**	47.6%	UAE	Investment holding company
Naxos Finance Limited	**47.6%**	47.6%	Cayman Island	Investment holding company
Mawarid Technology LLC	**38.6%**	38.6%	UAE	IT, Security services and Card personalisation

16 Equity accounted investees *(continued)*

	31 December 2018 AED '000	31 December 2017 AED '000
Dar Al Takaful P.J.S.C	**42,615**	40,956
Levant Retail Holdings Limited	**72,772**	118,816
Naxos Finance Limited	**19,197**	16,623
Mawarid Technology LLC	**249,603**	257,522
	384,187	433,917

Movement in equity accounted investees:-	31 December 2018 AED '000	31 December 2017 AED '000
Balance at 1 January	**433,917**	428,958
Acquisition of equity accounted investees	-	11,205
Less: IFRS 9 impact on opening retained earnings (note 6)	**(1,510)**	-
Less: IFRS 15 impact on opening retained earnings (note 6)	**(1,499)**	-
Less: Share of loss from equity accounted investees	**(46,721)**	(6,246)
Closing balance as at 31 December	**384,187**	433,917

The summarised financial information of the Group's equity accounted investees is as follows:-

	31 December 2018 AED '000	31 December 2017 AED '000
Total assets	**350,175**	410,823
Total liabilities	**(175,242)**	(175,071)
Net assets	**174,933**	235,752
Share of loss from continuing operations	**(46,721)**	(6,246)

17 Goodwill

Goodwill arising on acquisition of subsidiaries is allocated to the Group's cash generating unit ("CGU") as follows:-

	Note	31 December 2018 AED '000	31 December 2017 AED '000
Plus International Medical Centre LLC	*17.1*	**9,132**	9,132

17.1 The recoverable amount was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management’s assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Weighted average cost of capital used was 12% (2017: 13%). The cash flow projections included specific estimates for five years and an estimated EV/EBITDA multiple of 8x (2017: 7.5x) at exit.

18 Property and equipment

	Freehold land and CWIP AED '000	Office building AED '000	Furniture and fixtures AED '000	Office and equipment AED '000	Motor vehicles AED '000	Total AED '000
Cost						
At 1 January 2017	111,304	31,249	7,790	18,369	150	168,862
Additions	6,402	-	379	1,346	12	8,139
Disposals	-	-	-	-	(6)	(6)
At 31 December 2017	117,706	31,249	8,169	19,715	156	176,995
At 1 January 2018	**117,706**	**31,249**	**8,169**	**19,715**	**156**	**176,995**
Additions	**-**	**3,991**	**3,890**	**9,963**	**8**	**17,852**
Transfer to :						
- foreclosed assets	**-**	**(4,776)**	**-**	**-**	**-**	**(4,776)**
- investment properties	**(52,324)**	**-**	**-**	**-**	**-**	**(52,324)**
Transfer	**(31,382)**	**31,382**	**-**	**-**	**-**	**-**
On acquisition of:						
- BML Technology LLC	**-**	**3,719**	**1,318**	**3,397**	**-**	**8,434**
- Mycon Marketing Management LLC	**-**	**-**	**139**	**183**	**-**	**322**
Disposals	**-**	**-**	**(409)**	**(1,169)**	**(20)**	**(1,598)**
At 31 December 2018	**34,000**	**65,565**	**13,107**	**32,089**	**144**	**144,905**
Depreciation						
At 1 January 2017	-	10,336	5,083	14,830	124	30,373
Charge for the year	-	592	1,276	2,124	19	4,011
Disposals	-	-	-	-	(6)	(6)
At 31 December 2017	-	10,928	6,359	16,954	137	34,378
At 1 January 2018	**-**	**10,928**	**6,359**	**16,954**	**137**	**34,378**
Charge for the year	**-**	**1,648**	**1,310**	**2,169**	**9**	**5,136**
Transfer to foreclosed assets	**-**	**(275)**	**-**	**-**	**-**	**(275)**
On acquisition of:						
- BML Technology LLC	**-**	**267**	**1,227**	**3,234**	**-**	**4,728**
- Mycon Marketing Management LLC	**-**	**-**	**15**	**29**	**-**	**44**
Disposals	**-**	**-**	**(336)**	**(1,168)**	**(4)**	**(1,508)**
At 31 December 2018	**-**	**12,568**	**8,575**	**21,218**	**142**	**42,503**
Carrying amount						
At 31 December 2017	117,706	20,321	1,810	2,761	19	142,617
At 31 December 2018	**34,000**	**52,997**	**4,532**	**10,871**	**2**	**102,402**

19 Intangible assets

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Opening balance as of 1 January		**6,050**	9,021
Additions	*19.1*	**1,054**	-
Transfer to other assets		-	(954)
On acquisition of:			
- BML Technology LLC	*24*	**74,936**	-
- Mycon Marketing Management LLC	*24*	**3,318**	-
Amortisation of software cost		**(2,956)**	(2,017)
At 31 December 2018		**82,402**	6,050

19.1 Additions pertains to development of Kiosk software.

20 Other assets

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Advances to suppliers		**21,933**	5,304
Deposits		**1,346**	1,430
Staff receivable		**558**	568
Prepayments		**3,643**	3,287
Due from customers		**20,607**	46,772
Foreclosed assets	*20.1*	**34,949**	44,926
Others		**10,360**	30,955
		93,396	133,242

20.1 The Group has acquired certain properties against settlement of financing and investing assets. These properties will be disposed off as per the regulatory requirement and accordingly have been classified under other assets. During the year, the Group has acquired properties amounting to AED Nil (31 December 2017: AED 3.4 million). Revaluation loss recorded during the year on all these properties amounts to AED 6.9 million (31 December 2017: 21.6 million). The Group has sold certain properties with book value of AED 7.6 million (31 December 2017: Nil) and recorded realised loss of AED 2.5 million (31 December 2017: Nil). During the year, the Group has transferred certain properties from property and equipment with book value of AED 4.5 million.

21 Share capital

	31 December 2018 AED '000	31 December 2017 AED '000
Authorised issued and paid up capital:		
1 billion ordinary shares of AED 1 each	**1,000,000**	1,000,000
Treasury shares of AED 1 each	**(11,500)**	(11,500)

22 Statutory reserve

In accordance with Decretal Federal Law No.(14) of 2018, the Group has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution. During the year, Group has recorded net loss and as a result, no amount has been transferred to statutory reserve.

23 General reserve

In accordance with the Articles of Association of the Company, 10% of the Group's net profit for the year is transferred to the general reserve until the reserve equals to 50% of the paid up share capital. This reserve may be used for purposes determined by the Ordinary General Assembly pursuant to a proposal by the Board of Directors. During the year, Group has recorded net loss and as a result, no amount has been transferred to general reserve.

24 Subsidiaries

List of Subsidiaries

Name	Note	Holding 31 December 2018	Holding 31 December 2017	Country of incorporation	Principal Activities
Mawarid Securities		**100%**	100%	UAE	Brokerage business
MFI Investments LLC		**100%**	100%	UAE	Holding company
Mawarid Consultancy (FZE)		**100%**	100%	UAE	Operational services
Mawarid Exchange LLC		**90%**	90%	UAE	Money exchange
Plus International Medical Centre LLC		**70%**	70%	UAE	Medical services
BML Technology LLC	*24.1*	**100%**	-	UAE	Software Development & Implementation Services
Mycon Marketing Management LLC	*24.1*	**75%**	-	UAE	Staff Outsourcing & Credit Card sales

24.1 The Company has an indirect investment in these companies through MFI Investment LLC.

Acquisition of subsidiaries

Subsidiary acquired during the year is as follows :

Name of Subsidiary	Date of acquisition	Percentage of ownership
BML Technology LLC	1 January 2018	100%
Mycon Marketing Management LLC	1 April 2018	75%

24 Subsidiaries *(continued)*

Acquisition of subsidiaries (continued)

24.2 The following table summarises the acquisition date fair value of each major class of consideration transferred.

	BML Technology LLC	Mycon Marketing Management LLC
	AED '000	AED '000
Cash and cash equivalents	**4,726**	**270**
Property, plant and equipment	**3,707**	**278**
Intangible assets	**74,936**	**4,424**
Trade receivable	**4,912**	**-**
Other assets	**3,870**	**442**
Due to banks and financial instruments	**(3,805)**	**-**
Other liabilities	**(7,837)**	**(414)**
Total identifiable net assets acquired	**80,509**	**5,000**

24.3 Gain on bargain purchase arising from acquisition of BML Technology LLC has been recognised as follows:

	Note	31 December 2018 AED '000
Consideration		**55,102**
Total net assets acquired (100% of net assets)	*24.2*	**(80,509)**
Gain on bargain purchase		**(25,407)**

The Group's management has performed the purchase price allocation and concluded that the significant portion of the fair value of identified net assets relates to intangible assets (software and copyrights). The difference between consideration paid and identified net assets to be accounted for as a gain on bargain purchase.

As of 31 December 2018, the Group has paid full consideration for an amount of AED 55.1 million.

24.4 Following table summarises the allocation of consideration to net assets:

	Note	31 December 2018 AED '000
Consideration		**3,750**
Total net assets acquired (75% of net assets)	*24.2*	**(3,750)**
		-

As allowed by IFRS 3, the Group's management has recorded the difference between the consideration payable and the net assets acquired as intangible asset, based on provisional amounts recognised at the acquisition date until the PPA exercise is finalised.

As of 31 December 2018, the Group has deferred the total consideration amount. The consideration payable has been recorded in other liabilities in these consolidated financial statement.

24 Subsidiaries *(continued)*

Non-Controlling interest

The following table summaries the information relating to the Group's subsidiaries which has NCI as at the reporting date, before any intra group eliminations:-

At 31 December 2018	**MYCON Marketing Management LLC**	**Mawarid Exchange LLC**	**Plus International Medical Centre LLC**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**
NCI percentage	**25%**	**10%**	**30%**	
Non current assets	**223**	**1,116**	**9,469**	**10,808**
Current assets	**1,260**	**17,180**	**329**	**18,769**
Current liabilities	**(1,222)**	**(1,781)**	**(10,408)**	**(13,411)**
Net assets	**261**	**16,515**	**(610)**	**16,166**
Carrying amount of NCI	**65**	**1,652**	**(183)**	**1,534**
	For the year ended 31 December 2018			
Revenue	**1,680**	**5,332**	**-**	**7,012**
Loss	**(315)**	**(5,542)**	**(9,805)**	**(15,662)**
Total comprehensive loss	**(315)**	**(5,542)**	**(9,805)**	**(15,662)**
Loss allocated to NCI	**(79)**	**(554)**	**(2,941)**	**(3,574)**
Cash flows used in operating activities	**(440)**	**(4,817)**	**(7,606)**	**(12,864)**
Cash flows from Financing activities	**363**	**-**	**563**	
Cash flows used in investing activities	**(31)**	**(345)**	**(2,195)**	**(2,572)**
Net decrease in cash and cash equivalents	**(108)**	**(5,163)**	**(9,239)**	**(14,510)**

At 31 December 2017	31 December 2017		
	Mawarid Exchange LLC	Plus International Medical Centre LLC	Total
	AED '000	AED '000	AED '000
NCI percentage	10%	30%	
Non current assets	1,451	39	1,490
Current assets	23,501	9,698	33,199
Current liabilities	(2,895)	(541)	(3,436)
Net assets	22,057	9,196	31,253
Carrying amount of NCI	2,206	2,758	4,964
	For the year ended 31 December 2017		
Revenue	4,459	-	4,459
Loss	(5,441)	(4,516)	(9,957)
Total comprehensive loss	(5,441)	(4,516)	(9,957)
Loss allocated to NCI	(544)	(1,355)	(1,899)
Cash flows used in operating activities	(3,900)	(5,211)	(9,111)
Cash flows used in investing activities	(468)	(34)	(502)
Net decrease in cash and cash equivalents	(4,368)	(5,245)	(9,613)

25 Wakalah deposits

	Note	**31 December 2018 AED '000**	31 December 2017 AED '000
Qard-e-hasan from customers	*25.1*	**6,200**	3,618
Margin deposits		**536,669**	574,602
		542,869	578,220

25.1 Qard-e-hasan from customers mainly represent amounts payable to customers for transaction executed on their behalf.

26 Other liabilities

	31 December 2018 AED '000	31 December 2017 AED '000
Employees end of service benefits	**6,864**	5,195
Accounts payable	**16,876**	16,381
Wage pay system (WPS) settlement account	**44,219**	44,614
Profit payable	**1,694**	150
Accrued liabilities	**9,896**	6,485
Retention and other business line payable	**14,868**	37,193
Others	**14,538**	6,189
	108,955	116,207

27 Profit from financing and investing assets

	31 December 2018 AED '000	31 December 2017 AED '000
Ijarah	**2,639**	2,503
Commodity murabaha	**33,816**	29,487
	36,455	31,990

28 Profit from Islamic deposits and wakalah placements

	31 December 2018 AED '000	31 December 2017 AED '000
Profit from wakala placement	**1,095**	2,045
Profit from other Islamic deposit	**685**	1,356
	1,780	3,401

29 Revenue and cost of sales for IT Services

Revenue and cost of sales for IT services pertains to indirect subsidiary BML Technology LLC which is engaged in the business of Software Development & Implementation Services.

30 Other income

	31 December 2018	31 December 2017
	AED '000	AED '000
Rental income from investment properties	**9,599**	4,851
Loss from sale of properties	**(2,516)**	-
Commission income and transfer charges	**5,048**	4,751
Consulting and Fee income	**10,235**	10,263
Dividend income	**-**	288
Gain on bargain purchase (note 24.3)	**25,407**	-
Other operating income	**271**	537
	48,044	20,690

31 General and administrative expenses

	31 December 2018	31 December 2017
	AED '000	AED '000
Staff cost	**47,463**	38,321
Depreciation expense	**5,136**	3,899
Legal, consulting and professional charges	**12,967**	16,894
Rental expense	**3,292**	3,588
Telephone expense	**1,729**	1,767
Advertising and marketing expense	**839**	2,019
Finance and WPS related expenses	**12,568**	13,341
IT related expenses	**7,624**	8,229
Write-off of investment related receivables	**95**	9,241
Property related expenses	**3,903**	5,745
Other operating expenses	**9,773**	4,018
	105,389	107,062

32 Discontinued operations

In July 2018, the Group has stopped operations for brokerage business. Management committed to a plan to stop operations for this business early in 2018.

The brokerage business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continued operations.

a) Results of discontinued operations

	31 December 2018	31 December 2017
	AED '000	AED '000
Revenue	**515**	2,398
Expenses	**(3,655)**	(4,872)
Loss from discontinued operations	**(3,140)**	(2,474)

32 Discontinued operations *(continued)*

b) Cash flow from discontinued operations

	31 December 2018
	AED '000
Net cash flow in operating activities	(6,182)
Net cash flow from investing activities	6,142
Net decrease in cash and cash equivalents	(40)

33 Related party transactions

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24 (revised). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties, which in opinion of the management are not significantly different from those that could have been obtained from third parties.

a) Balances with related parties included in the consolidated statement of financial position are as follows:

	31 December 2018	
	Directors and key management	**Other related parties**
	AED '000	**AED '000**
Asset		
Financing and investing assets	**12,600**	**51,050**
Liabilities		
Wakalah deposits	**-**	**43,587**
Other liabilities	**-**	**475**

	31 December 2017	
	Directors and key management	Other related parties
	AED '000	AED '000
Assets		
Financing and investing assets	13,120	52,136
Liabilities		
Wakalah deposits	-	30,750
Other liabilities	-	1,134

None of the balances with related parties are classified under stage 3 as per IFRS 9. Hence, no specific provision has been recorded against these balances.

33 Related party transactions *(continued)*

b) Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	31 December 2018	
	Directors and key management	**Other related parties**
	AED '000	**AED '000**
Income from financing and investing assets	**691**	**5,652**
Depositors' share of profits	**-**	**(1,471)**
Other income	**7**	**-**

	31 December 2017	
	Directors and key management	Other related parties
	AED '000	AED '000
Income from financing and investing assets	810	3,696
Depositors' share of profits	-	(293)
Other income	26	1

c) Compensation paid to key management personnel of the Group is as follows:

	31 December 2018	31 December 2017
	AED '000	AED '000
Short term benefits	**2,940**	2,940
Employees' end of service benefits	**211**	211
	3,151	3,151

34 Commitments and contingent liabilities

	31 December 2018	31 December 2017
	AED '000	AED '000
a) Commitments		
Irrevocable commitments to extend credit	**12,662**	32,961

Irrevocable commitments to extend credit include commitments to extend Islamic financing designed to meet the requirements of the Group's customers. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee.

The Company has committed an amount of AED 32 million (31 December 2017: AED 32 million) to a local bank to support the financing related requirement for one of the associates.

34 Commitments and contingent liabilities

a) Commitments *(continued)*

The Group has entered into a Capital commitment where by the Group would invest an amount of AED 73 million (USD 20 million) into private equity investments. As of the reporting date, the Group has contributed an amount of AED 71 million (31 December 2017: AED 47 million) into this investment and the remaining would be invested as and when called upon by the Investment manager.

The Group has entered into an agreement to purchase a Company at a contractual value of AED 3.75 million. As at the reporting date, the Group has not paid any consideration towards acquisition.

b) Contingent liabilities

The Group has issued guarantees on behalf of some customers amounting to AED 634 million (31 December 2017: AED 645 million) against which wakala deposit is pledged as security to the Group.

The Group has given a bank guarantee, issued by a local financial institution, mainly in favor of the Central Bank of the UAE for an amount of AED 50 million (31 December 2017: AED 50 million). This guarantee is provided to the Central Bank of the UAE against issuance of the license and management does not anticipate that any material liability to arise.

The subsidiary have arranged financial guarantee issued by a local Bank in favor of Dubai Financial Market and Abu Dhabi Securities Market amounting to AED 21 million (31 December 2017: AED 21 million). The guarantees issued are pledged against wakala deposit and corporate guarantee by the Parent Company.

35 Zakat

Zakat as approved by the Company's Fatwa and Sharia Supervisory Board (FSSB) amounted to nil (2017: AED 0.0075) per share. Shareholders are required to pay Zakat on their own account.

36 Approval of consolidated financial statements

The consolidated financial statement was approved by the Board of directors and authorised for issue on 26 March 2019.

37 Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in these consolidated financial statements.