Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Investment Corporation of Dubai ("ICD" or the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 ("IFRSs").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

a) Group audit

The Group has a large number of subsidiaries, associates and joint ventures (collectively referred to as the "Components") that are significant to the Group's consolidated financial statements. The geographically decentralised structure increases the complexity of the Group's control environment and affects our ability as Group auditor to obtain an appropriate level of understanding of these Components including any related party transactions. Due to the complexity of the Group structure and the significance of these Components to the Group's consolidated financial statements, this is considered as a key audit matter.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- As part of our audit, we determined the nature and extent of audit procedures to be carried out for Components and selected significant Components based on size and/or the risk profile.
- During our audit, we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the Component auditors.
- We organised site visits, meetings and conference calls with auditors of the Components in our audit scope. We further discussed the audit approach with significant Component auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and the transactions with them. We also set out the information required to be reported back to us as part of group reporting.

Refer to the basis of consolidation in note 2.4 to the consolidated financial statements, note 38 for the listing of Group's significant Components and note 35 for the related party balances and transactions.

b) Impairment of loans and receivables and Islamic financing and investment products

Loans and receivables and Islamic financing and investment products of the Group's commercial and Islamic banking Component, Emirates NBD Bank PJSC and its subsidiaries (the "Bank"), represent a significant part of the total assets of the Group.

On adoption, the Bank's management has applied the requirements of IFRS 9 retrospectively without restating the comparatives. The difference between previously reported carrying amounts as of 31 December 2017 and new carrying amounts as of 1 January 2018, mainly arising from impairment, has been recognised in opening retained earnings.

Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for loans and receivables and Islamic financing receivables, there is a risk that the amount of ECL may be misstated. As such, we consider this a key audit matter.

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

b) *Impairment of loans and receivables and Islamic financing and investment products (continued)*
The key areas of judgement include:

1. The identification of exposure with a significant deterioration in credit quality.
2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc.
3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model.

How key audit matter has been addressed
The risks outlined above were addressed as follows:

- Assessed the modelling techniques and methodology against the requirements of IFRS 9.
- Tested the data, both current and historical, used in determining the ECL.
- Tested the ECL models including build, validation and governance of models.
- Tested the material modelling assumptions in addition to any overlays.
- Examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis
- Reperformed the ECL computation for sample of credit facilities.
- Checked appropriateness of opening balance adjustments mainly arising from impairment.
- Assessed the accuracy of disclosures in the consolidated financial statements.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to impairment of loans and receivables and Islamic financing and investment products, note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to impairment against loans and receivables and Islamic financing and investment products, notes 19 and 20 which contain the disclosure of impairment against Islamic financing and investment products and loans and receivables respectively.

c) Passenger and cargo revenue recognition
Emirates, the Group's Component operating in the aviation sector, provides commercial air transportation services, which include passenger and cargo services. Emirates contributes a significant portion to the total consolidated revenues of the Group.

When a flight booking is made, passenger and cargo revenue is measured based on the sales price to the customer and allocated to each performance obligation under the contract. Revenue is initially deferred on the consolidated statement of financial position and subsequently recognised in the consolidated income statement when the related performance obligation has been fulfilled (typically when a passenger or the cargo has flown).

The determination of the amount of revenue to be recognised for each flight requires complex information technology ("IT") systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

c) Passenger and cargo revenue recognition (continued)

The accounting for passenger and cargo revenue is susceptible to management override of controls through the recording of manual journals in the accounting records, the override of IT systems to accelerate revenue recognition, or the manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents.

The timing of revenue recognition for unused tickets requires judgement due to the timeframe over which tickets can be utilised varying due to the large number of fare types sold by Emirates. The management has determined the value of unused revenue documents that will not be utilised based on ticket validity and historical expiry trends.

We consider this as a key audit matter because of the complexity of the related IT systems, the potential for management override of control, and the significant level of judgement required by the management in determining the timing of recognition of unused revenue documents, in addition to the significance of the revenue from Emirates to the Group.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- End-to-end walkthroughs of the finance and operational processes surrounding the revenue system were performed, utilising the understanding of the industry and Emirates, to assess the design effectiveness of the related key internal controls and identify changes, if any.
- Testing of the operating effectiveness of these controls was performed to obtain sufficient, appropriate evidence that they operated throughout the year as intended.
- Key IT systems, including interfaces that impact the recognition of revenue from passenger and cargo sales were tested including the IT change control procedures and related application controls.
- Tests of details were performed over the passenger and cargo revenue and appropriate substantive tests of manual journal entries posted into relevant revenue accounts in the sub-ledger and general ledger were also performed.
- Data supporting Emirates' historical expiry trend in respect of unused revenue documents was obtained. In addition to performing controls based testing as described above, accuracy of the historical expiry data was tested and was compared with data used by Emirates in their calculation of the amount of revenue to recognise from unused revenue documents.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to revenue recognition of airlines and note 2.5, which contains the disclosure of significant accounting judgments and estimates relating to the passenger and cargo revenue recognition.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

d) Concentration of related party balances

Under IFRS 7 Financial Instruments: Disclosures, specific disclosures are required for each type of risk arising from financial instruments. These include qualitative disclosure around how exposures arise and how they are measured and managed, summary quantitative data about an entity's exposure to each type of risk, and information about an entity's credit risk exposures, including significant credit risk concentrations ("concentration risk"). In addition, for government owned entities such as ICD, disclosure is required under IAS 24 Related Party Disclosures of a qualitative or quantitative indication of the extent of transactions with the government or related entities.

Note 35 to the consolidated financial statements, describes the Bank's exposure to the Government of Dubai (the "Government"). Significant management judgment is involved in determining the disclosures required by IFRS 7 and IAS 24 to address the concentration and related risks and related party disclosures arising from this balance and the income arising from it. As such, we consider this a key audit matter.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- To audit the balances due from the Government and the related income as recorded in the Bank's books of accounts, a combination of tests of controls, analytical review procedures and specific substantive audit procedures was performed to test related parties and transactions. Key controls in the loan and overdraft granting, booking and monitoring processes were identified, documented and tested.

- Balances were confirmed by the borrower. The calculation of income was re-performed on a sample basis to determine whether it had been recognised in accordance with IFRSs. Minutes of meetings of the Bank's management and those charged with governance were reviewed, and identified related party transactions were compared with those identified by the Bank's management. The adequacy of these disclosures was performed by assessing whether a reasonable user of the consolidated financial statements could understand the exposure of the Group to concentration and related risks, and by considering the ability of such a user to reasonably estimate the extent of transactions with the Government, including the income arising from the receivable balance, based on the disclosures provided.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the relevant accounting policy adopted by the Group and note 35 for details on the related party.

e) Valuation of production and development assets

The recoverability of the carrying amount of production and development assets of Emirates National Oil Company (ENOC) and its subsidiaries (collectively referred to as the "ENOC Group"), engaged in oil and gas activities, is dependent upon the future cash flows of the ENOC Group's upstream operations and its estimation of oil and gas reserves.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

e) Valuation of production and development assets (continued)

Management's assessment of the impairment of the ENOC Group's development and production assets, through their value in use model, involves significant judgments, which include:

- Long term oil and gas price outlook beyond five years;
- The estimation of oil and natural gas reserves at the year-end;
- Construction of a Gas Treatment Plant ("GTP"); and
- Discount factor used.

The outcome of the impairment assessment might have a significant impact on the financial performance of the Group. Therefore, we have considered this matter as a key audit matter.

The ENOC Group engages professionally qualified external independent petroleum engineers to estimate the oil and nature gas reserves.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The competence and objectivity of the external independent petroleum engineers engaged by the management was assessed and their terms of engagement were read to check that they were appropriately qualified to carry out the estimation of oil and gas reserves and to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.

- The long-term oil and gas price outlook was assessed, which included both long-term and short-term assumptions of oil and gas prices. The short-term price assumptions used by the management were compared to the market forward curves.

- The plan for the construction of GTP was assessed.

- Verified the mathematical accuracy of the value-in-use model prepared by the management and the reserves incorporated in the model were agreed with the report submitted by the external independent petroleum engineers.

- Discussions were held with the external independent petroleum engineers engaged by ENOC Group to discuss the results of their work. The valuation process, the definitions and the guidelines used, and significant changes to the estimated reserves from the prior year was discussed and evaluated.

- The sensitivity analysis of cash flows underlying the net present value calculation was reviewed.

- The adequacy of the disclosures in the consolidated financial statements was also assessed.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

e) Valuation of production and development assets (continued)

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to valuation of production and development assets, note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to production and development assets and note 10 for the oil and gas interests of the Group.

f) Valuation of aircraft held for lease

The Group's component, Dubai Aerospace Enterprises (DAE) Limited and its subsidiaries ("DAE Group"), is engaged in providing aircraft on leases. DAE has undertaken an impairment review, by comparing the carrying value of aircraft to their estimated recoverable value, which is the higher of fair value less costs to sell or value in use.

In order to assess fair value less cost to sell, the management obtained aircraft valuations from external aviation consultancies and considered the average of these valuations.

In order to assess value in use, the management prepared a discounted cash flow forecast that contains significant judgement and assumptions. The key assumptions and judgments adopted are:

- The discount rate applied to forecasted cash flows;
- Estimates relating to the period between lease rentals and the value of future, non-contracted lease rentals which are assessed against rates published by external aviation consultancies; and
- Assumed resale value at the end of the aircraft's lease life.

We consider this as a key audit matter because of the level of management's judgment required and the sensitivity of the impairment assessment to key assumptions.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The impairment assessment prepared by management was obtained, together with the supporting documentation and underlying assumptions.
- The net book values of aircraft used in the impairment assessment were confirmed with the fixed asset register and the mathematical accuracy of the overall calculation was ensured within the impairment assessment.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

f) Valuation of aircraft held for lease (continued)

How key audit matter has been addressed (continued)

The risks outlined above were addressed as follows: (continued)

- The market values used by management were directly confirmed with external aviation consultancies on a sample basis. The independent external valuer's competence, capabilities and objectivity were evaluated.

- The mathematical accuracy of the value in use calculations, prepared by management, was tested.

- The contractual lease rentals assumed within DAE management's model were compared to lease contracts currently in place.

- The reasonableness of estimates relating to the period between lease rentals and anticipated values of future non-contracted rentals, were corroborated with senior operational personnel of DAE.

- The end of aircraft lease life valuation was confirmed by reference to reports issued by external aviation consultancies.

- Internal valuation specialists were involved to validate that the discount rate adopted was appropriate.

- The potential impact of reasonably possible downside changes in these key assumptions were considered and sensitivity analysis was performed to assess the financial impact of changes in key assumptions.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to property, plant and equipment (which includes aircraft held for lease), note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to impairment of property, plant and equipment (which includes aircraft held for lease) and note 10 which contains the details of property, plant and equipment (which includes aircraft held for lease).

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)**

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

g) Accounting for frequent flyer programme

Emirates operates a frequent flyer programme ("Skywards") in order to encourage and incentivise loyalty from its customers. Skywards members earn Skywards miles either after a flight has been paid for and flown or from Skywards partners who purchase miles from Emirates to issue to their customers. Skywards miles can be redeemed for reductions in airfares as well as being used towards free flights, cabin class upgrades and other non-airline rewards.

The fair value of unused miles issued to Skywards members when flights are flown, and the consideration received for miles issued to Skywards members from sales to partners is recognised in the consolidated statement of financial position as deferred revenue. Revenue is recognised in the consolidated income statement when the miles are redeemed by a customer and the underlying performance obligation relating to the redeemed miles is fulfilled.

The fair value per mile is based on a relative standalone selling price calculated using a model incorporating a number of factors including historical sector average fares, historical fares for upgrades, ticket and upgrade availability and redemption patterns. An estimate is also made of the number of miles that will expire based on historical expiry patterns and known future changes to the Skywards programme.

We consider this as a key audit matter because of the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

How key audit matter has been addressed:
The Emirates' model supporting the calculation of Skywards deferred revenue was tested as follows:

- The process and the related control by which deferred revenue is calculated were understood.
- The automated controls and key interfaces between the IT systems used to initially accrue and subsequently redeem the Skywards miles for each member were tested.
- Skywards miles issued and redeemed during the year, and the closing miles balance in the model were reconciled to the underlying IT systems.
- Mathematical accuracy of the model were tested.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

g) Accounting for frequent flyer programme (continued)
How key audit matter has been addressed (continued):

- The key assumptions within the model were tested including agreeing historical expiry trends supporting the expiry percentage and agreeing historical sector average fares and historical fares for upgrades to underlying reports, discussing anticipated future changes to the Skywards programme that may impact expiry trends with appropriate senior management of Emirates, testing ticket and upgrade availability to internal supporting evidence.

- A sensitivity analysis was performed on the key assumptions and variables used in the model.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to frequent flyer programme and note 2.5 which contains the disclosure of significant accounting judgments and estimates relating to the frequent flyer programme.

h) Provision for aircraft return conditions
Emirates operates a significant number of aircraft under operating lease arrangements.

Under the terms of the operating lease arrangements with the lessors, Emirates is contractually committed either to return the aircraft and/or engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and/or engines at the date of return. Accordingly, a provision for the cost associated with these return conditions is recorded during the lease term.

The provision is calculated using a model, which incorporates a number of assumptions, requiring significant judgment.

We consider this as a key audit matter due to the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

h) Provision for aircraft return conditions (continued)

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The aircraft return provision model prepared by the management of Emirates was obtained, together with a summary of the underlying assumptions.
- The completeness of the provision was tested by checking that all significant return condition obligations included in aircraft operating lease contract were included in the model.
- The mathematical accuracy of the calculation was tested.
- The following key assumptions were discussed and corroborated with the senior engineering personnel of Emirates:
  - the past and expected future utilisation and maintenance patterns of the aircraft;
  - the expected cost of each maintenance event at the time it is expected to occur; and
  - the discount rate applied to the future liability.
- The historical utilisation was compared to flying records and future utilisation assumptions were considered in light of past experience. Assumed maintenance costs were assessed against historical actual costs incurred and existing long-term maintenance agreements. Future maintenance patterns were assessed against internal maintenance plans. The discount rate applied by the management of Emirates to the future liability was checked to ensure that it is within an acceptable range with reference to the time value of money applicable to Emirates and the risks specific to the liability.
- Along with performing sensitivity analysis on reasonably possible changes in assumptions, provisions held for aircraft and engines returned during the year were also compared to the compensation paid out to the lessors or actual costs incurred to establish if past provisions were reasonable.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to provision for aircraft return conditions and note 2.5 which contains the disclosure of significant accounting estimates relating to provision for aircraft return conditions.

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

i) Lease classification and the related lease accounting

Emirates operates aircraft under both finance and operating lease arrangements and during the current year entered into sale and leaseback transactions on new aircraft deliveries.

In determining the appropriate lease classification, *IAS 17 - 'Leases'* is applied by Emirates and the substance of the transaction rather than just the legal form is considered. Profits or losses on sale and leaseback transactions are either recognised immediately or deferred in accordance with the finance and operating leases accounting policy set out in note 2.4 to the consolidated financial statements.

We consider this as a key audit matter because of the accounting implications for leases including the presentation within the consolidated financial statements, are substantially different depending on the classification determined, and because of the inherent level of management's judgement within the assessment of lease classification and accounting for sale and leaseback transaction, together with the materiality of the related balances.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The management's assessment of lease classification under IFRS were evaluated to determine whether a lease is considered to be finance or operating in nature.

- The lease agreements for aircraft deliveries during the year were examined to identify:
  - whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term;
  - whether Emirates has the option to purchase the aircraft at a price that is sufficiently lower than the fair value on exercise date; and
  - whether the lease term is for the major part of the economic life of the aircraft.

- Independent calculations were undertaken to assess whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.

- In the case of sale and lease back transactions on new aircraft resulting in an operating lease, the fair values of aircraft were compared to the purchase price and the profit or loss recalculated on these transactions. It was considered whether the management of Emirates has appropriately accounted for the profit or loss arising on these transactions.

- The related disclosures in the consolidated financial statements were tested to check consistency with the disclosure requirements of IFRS.

Refer to the significant accounting policies note 2.4 to the consolidated financial statements for the significant accounting policy relating to leases and note 2.5, which contains the disclosure of significant accounting judgment relating to classification of operating/finance leases.

Report on the audit of the consolidated financial statements (continued)

j) Impairment of refinery plant

During the year, ENOC has commenced to procure condensate for the operation of its refinery from alternative sources due to changes in business environment, which has resulted in changes in economics in refinery operations. Management has identified this as a possible impairment indicator and has performed an impairment assessment on the refinery based on the value in use, using the discounted cash flow calculation.

This model uses several key assumptions which include future volumes, prices, margins and weighted average cost of capital (discount rate).

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- Assessed management's determination that the refinery was a separate CGU based on understanding of the nature of ENOC's business.
- Reviewed management's assessment of whether indicators of impairment exist for the refinery.
- Obtained recoverable value calculation from management for the refinery and assessed the appropriateness of the methodology applied in preparing this recoverable value calculation.
- Tested the recoverable value calculation for accuracy, performed sensitivity analysis on significant assumptions, and challenged the appropriateness of the key assumptions as compared with external/independent sources.
- Involved valuation specialists to assist the audit team in challenging and assessing the appropriateness of the key assumptions used in the calculation.
- Compared the calculated recoverable amount to the associated carrying value, assessing whether any impairment charges were necessary.

Refer to note 10 which includes details of the impairment assessment exercise carried out for the refinery plant.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF
INVESTMENT CORPORATION OF DUBAI (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI (continued)

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Ernst & Young

Signed by:
Joe Murphy
Partner
Registration No. 492

16 May 2019

Dubai, United Arab Emirate

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Revenues	37	**232,434,776**	200,930,601
Cost of revenues		**(195,475,149)**	(162,466,001)
		36,959,627	38,464,600
Other income	3	**5,336,163**	5,102,344
Net gain / (loss) from derivative instruments		**1,009,152**	(412,286)
General, administrative and other expenses		**(19,860,064)**	(17,833,237)
Net impairment losses on financial assets	4	**(2,080,467)**	(2,229,650)
Other finance income	5	**2,154,278**	1,683,510
Other finance costs	6	**(5,967,870)**	(4,647,861)
Share of results of associates and joint ventures - net	14	**4,727,224**	5,059,384
PROFIT FOR THE YEAR BEFORE INCOME TAX	37	**22,278,043**	25,186,804
Income tax expense - net	7	**(886,958)**	(544,467)
PROFIT FOR THE YEAR	8	**21,391,085**	24,642,337
Attributable to:			
The equity holder of ICD		**16,252,292**	20,239,400
Non-controlling interests		**5,138,793**	4,402,937
		21,391,085	24,642,337

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	*2018 AED'000*	*2017 AED'000*
PROFIT FOR THE YEAR		**21,391,085**	24,642,337
Other comprehensive income			
Items that may be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of available-for-sale investments		**-**	(218,814)
Net movement in fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")		**(38,931)**	-
Net movement in fair value of cash flow hedges		**(20,517)**	360,534
Net movement in cost of hedging		**(16,703)**	-
Foreign currency translation differences - net		**(247,479)**	246,015
Group's share in other comprehensive (loss) / gain of equity accounted investees	14	**(399,482)**	358,454
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of equity instruments measured at FVOCI		**(885,157)**	-
Actuarial gain / (loss) on defined benefit plans	26	**52,593**	(36,007)
Group's share in other comprehensive (loss) / gain of equity accounted investees	14	**(141,762)**	21,791
Other comprehensive (loss) / income for the year		**(1,697,438)**	731,973
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**19,693,647**	25,374,310
Attributable to:			
The equity holder of ICD		**14,680,253**	20,918,782
Non-controlling interests		**5,013,394**	4,455,528
		19,693,647	25,374,310

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**179,176,581**	172,924,480
Intangible assets	11	**26,432,579**	26,416,408
Investment properties	12	**19,780,074**	16,659,973
Development properties	13	**2,536,527**	1,222,414
Investments in associates and joint ventures	14	**52,993,913**	47,302,127
Investment securities	15	**24,432,482**	23,545,069
Other non-current assets	16	**16,083,257**	21,844,909
Islamic financing and investment products	19	**24,016,824**	27,795,434
Loans and receivables	20	**91,576,692**	90,545,706
Cash and deposits with banks	21	**2,746,014**	1,721,688
Positive fair value of derivatives	28	**2,298,225**	1,966,517
Deferred tax assets	7	**227,815**	176,350
		442,300,983	432,121,075
Current assets			
Investment securities	15	**5,122,734**	5,752,037
Inventories	17	**11,329,371**	11,085,275
Trade and other receivables	18	**34,848,080**	35,852,720
Islamic financing and investment products	19	**44,017,938**	34,970,602
Loans and receivables	20	**182,636,563**	164,951,227
Cash and deposits with banks	21	**147,292,922**	152,184,286
Positive fair value of derivatives	28	**2,027,505**	1,223,566
Customer acceptances		**7,736,164**	6,111,947
		435,011,277	412,131,660
Assets classified as held for sale	22	**1,915,057**	41,167
		436,926,334	412,172,827
TOTAL ASSETS		**879,227,317**	844,293,902

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	23	**64,569,417**	64,530,179
Retained earnings		**124,633,708**	111,737,007
Other reserves	25	**8,454,487**	13,735,628
		197,657,612	190,002,814
Non-controlling interests	33	**40,109,905**	37,469,258
Total equity		**237,767,517**	227,472,072
Non-current liabilities			
Employees' end of service benefits	26	**3,901,593**	3,610,298
Borrowings and lease liabilities	27	**162,368,999**	156,165,743
Negative fair value of derivatives	28	**2,016,038**	1,668,404
Other non-current payables	29	**12,383,581**	13,105,776
Customer deposits	31	**9,299,577**	7,576,160
Islamic customer deposits	32	**438,635**	56,216
Deferred tax liabilities	7	**1,840,725**	1,558,365
		192,249,148	183,740,962
Current liabilities			
Employees' end of service benefits	26	**14,139**	16,451
Borrowings and lease liabilities	27	**53,083,439**	61,435,936
Negative fair value of derivatives	28	**1,880,089**	1,116,554
Trade and other payables	30	**62,993,776**	59,684,461
Customer deposits	31	**270,160,082**	247,255,273
Islamic customer deposits	32	**52,422,284**	57,047,294
Current income tax liabilities		**476,383**	400,284
Customer acceptances		**7,736,164**	6,111,947
		448,766,356	433,068,200
Liabilities related to assets classified as held for sale	22	**444,296**	12,668
		449,210,652	433,080,868
Total liabilities		**641,459,800**	616,821,830
TOTAL EQUITY AND LIABILITIES		**879,227,317**	844,293,902

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Director

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Director

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
OPERATING ACTIVITIES			
Profit before income tax		**22,278,043**	25,186,804
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	8	**16,012,186**	14,268,246
Amortisation and impairment of intangible assets and release of advance lease rental	8	**1,591,645**	1,454,647
Impairment loss on investment securities	4	**16,442**	27,224
Impairment loss on Islamic financing and investment products – net of recoveries	4	**564,839**	574,927
Impairment loss on loans and receivables – net of recoveries	4	**1,595,748**	1,704,447
Reversal of impairment loss on cash and deposits with banks - net	4	**(3,136)**	-
Impairment loss on trade and other receivables – net of recoveries	4	**240,072**	66,383
Allowance for / (reversal of) impairment loss on other non-current assets – net of recoveries	4	**10,020**	(3,720)
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	3	**(534,039)**	(488,539)
Net change in fair value of investment securities measured / held at FVTPL	3	**309,169**	(144,004)
Net gain on disposal of investment in subsidiaries, associates and joint ventures	3	**(771,427)**	(58,372)
Provision for / (reversal of) write down of slow moving inventories		**1,181,263**	(4,446)
Other finance income	5	**(2,154,278)**	(1,683,510)
Other finance costs	6	**5,967,870**	4,647,861
Share of results of associates and joint ventures - net	14	**(4,727,224)**	(5,059,384)
Provision for employees' end of service benefits	26	**1,406,782**	1,311,969
Net gain on sale of investment securities	3	**(11,828)**	(255,538)
Net (gain) / loss on disposal of assets and liabilities classified as held for sale	3	**(120,569)**	55,099
Unrealised (gain) / loss on derivatives		**(1,074,394)**	466,064
		41,777,184	42,066,158
Changes in:			
Inventories - net		**(1,336,272)**	(1,488,846)
Trade and other receivables		**1,796,238**	(1,111,764)
Trade and other payables		**2,388,582**	5,853,501
Loans and receivables (banking operations)		**(21,051,857)**	(18,799,222)
Statutory deposits (banking operations)		**(153,286)**	(2,505,361)
Deposits with banks with original maturity over three months (banking operations)		**(19,399,588)**	(2,125,224)
Customer deposits including Islamic customer deposits (banking operations)		**20,385,635**	17,057,325
Due to banks with original maturity over three months (banking operations)		**362,295**	(349,055)
Fair value of derivatives - net		**1,040,111**	(910,816)
Islamic financing and investment products with original maturity over three months (banking operations)		**(3,392,808)**	1,511,785
Other non-current assets		**3,085,640**	159,524
Other non-current payables		**(722,195)**	(375,609)
Net cash generated from operations		**24,779,679**	38,982,396

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2018

	Notes	***2018*** ***AED'000***	*2017* *AED'000*
OPERATING ACTIVITIES (continued)			
Employees' end of service benefits paid	26	**(1,112,552)**	(1,029,246)
Income tax paid		**(565,011)**	(498,004)
Exchange translation reserve and other movements		**(199,410)**	(234,509)
Net cash generated from operating activities		**22,902,706**	37,220,637
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(23,837,178)**	(18,627,021)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback of aircraft		**3,476,308**	2,292,479
Acquisition of additional non-controlling interest in direct subsidiaries		**(599,760)**	(887,145)
Acquisition of subsidiaries – net of cash acquired		**(561,472)**	(6,899,975)
Other finance income received		**1,418,081**	1,464,931
Proceeds from disposal of assets and liabilities classified as held for sale		**2,867,617**	1,518,333
Proceeds from disposal of investments in associates		**1,050,219**	269,244
Net of other movements in investment securities		**(1,599,768)**	(4,753,931)
Investment in associates and joint ventures		**(1,821,587)**	(225,918)
Dividend from associates and joint ventures	14	**2,532,299**	1,773,666
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**6,187,615**	185,721
Net movement in Islamic financing and investment products with original maturity over three months (non-banking operations)		**(3,195,601)**	(103,740)
Net cash used in investing activities		**(14,083,227)**	(23,993,356)
FINANCING ACTIVITIES			
Interest on Tier 1 Capital Notes issued by the banking subsidiary		**(595,284)**	(589,813)
Capital contribution by the Government of Dubai (the "Government")	23	**19,381**	-
Distributions paid to the Government		**(6,169,838)**	(4,284,594)
Net movement in borrowings and lease liabilities		**(12,702,193)**	1,617,373
Other finance costs paid		**(5,196,635)**	(4,600,005)
Dividend paid to the non-controlling interests		**(1,291,958)**	(1,228,880)
Purchase of own shares by a direct subsidiary		**-**	(312,375)
Net cash used in financing activities		**(25,936,527)**	(9,398,294)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(17,117,048)**	3,828,987
Cash and cash equivalents at the beginning of the year		**58,323,186**	54,494,199
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**41,206,138**	58,323,186

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 23)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 25)*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2018	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072
Impact on adoption of IFRS 9	-	2,016,600	(3,800,560)	(1,783,960)	(1,023,433)	(2,807,393)
Impact on adoption of IFRS 15	-	1,880,848	(222,186)	1,658,662	(224)	1,658,438
Restated balance at 1 January 2018	64,530,179	115,634,455	9,712,882	189,877,516	36,445,601	226,323,117
Profit for the year	-	16,252,292	-	16,252,292	5,138,793	21,391,085
Other comprehensive (loss) / income for the year	-	74,769	(1,646,808)	(1,572,039)	(125,399)	(1,697,438)
Total comprehensive income for the year	**-**	**16,327,061**	**(1,646,808)**	**14,680,253**	**5,013,394**	**19,693,647**
Contribution from the Government (see note 23)	1,219,481	-	-	1,219,481	-	1,219,481
Return of Capital to the Government (see note 23)	(1,180,243)	-	-	(1,180,243)	-	(1,180,243)
Distributions to the Government (see note 24)	-	(6,171,122)	-	(6,171,122)	-	(6,171,122)
Dividend paid to non-controlling interests	-	-	-	-	(1,291,958)	(1,291,958)
Interest on Tier 1 capital notes	-	-	-	-	(595,284)	(595,284)
Transfers (see note 25)	-	(248,457)	248,457	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	56,960	56,960
Change in Group's ownership in existing subsidiaries	-	(270,173)	(5,527)	(275,700)	(313,171)	(588,871)
Increase in non-controlling interests	-	-	-	-	827,898	827,898
Transfers upon disposal of equity instruments measured at FVOCI	-	(132,614)	132,614	-	-	-
Other movements	-	(505,442)	12,869	(492,573)	(33,535)	(526,108)
Balance at 31 December 2018	**64,569,417**	**124,633,708**	**8,454,487**	**197,657,612**	**40,109,905**	**237,767,517**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2018

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 23)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 25)*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2017	65,329,584	95,267,939	13,064,671	173,662,194	35,717,848	209,380,042
Profit for the year	-	20,239,400	-	20,239,400	4,402,937	24,642,337
Other comprehensive (loss) / income for the year	-	(20,318)	699,700	679,382	52,591	731,973
Total comprehensive income for the year	-	20,219,082	699,700	20,918,782	4,455,528	25,374,310
Contribution from the Government (see note 23)	784,480	-	-	784,480	-	784,480
Return of Capital to the Government (see note 23)	(1,583,885)	-	-	(1,583,885)	-	(1,583,885)
Distributions paid to the Government (see note 24)	-	(4,284,594)	-	(4,284,594)	-	(4,284,594)
Dividend paid to non-controlling interests	-	-	-	-	(1,228,880)	(1,228,880)
Interest on Tier 1 capital notes	-	-	-	-	(589,813)	(589,813)
Transfers (see note 25)	-	(250,863)	271,212	20,349	(20,349)	-
Arising on acquisition of subsidiaries	-	-	-	-	44,392	44,392
Change in Group's ownership of existing subsidiaries	-	212,754	(1,305)	211,449	(1,098,401)	(886,952)
Increase in non-controlling interests	-	-	-	-	65,434	65,434
Change in Group's ownership in a subsidiary of an associate (see note 14(c))	-	1,040,424	-	1,040,424	-	1,040,424
Other movements	-	(467,735)	(298,650)	(766,385)	123,499	(642,886)
Balance at 31 December 2017	64,530,179	111,737,007	13,735,628	190,002,814	37,469,258	227,472,072

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

1 ACTIVITIES

Investment Corporation of Dubai ("ICD"), an entity wholly owned by the Government, was established in Dubai on 3 May 2006 under Emiri Decree 11 of 2006 issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of United Arab Emirates ("UAE") and The Ruler of Dubai.

ICD is a principal investment arm of the Government and was capitalised with the subsequent transfer of certain of the Government's portfolio of investments from the Department of Finance-Investments Division. ICD's role is to supervise the Government's investment portfolio, adding value through the implementation of best practice corporate governance and embracing a global investment strategy.

The address of ICD's registered office is PO Box 333888, Dubai, United Arab Emirates.

The consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") have been approved by the Board of Directors on 16 May 2019.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except for the measurement of:

- Fair value of available-for-sale investments (before 1 January 2018);
- Financial assets measured at FVTPL;
- Financial assets measured at FVOCI (applicable from 1 January 2018);
- Derivative financial instruments; and
- Recognised assets and liabilities that are hedged and measured at fair value in respect of the risk that is hedged.

c) Functional and presentation currency

The consolidated financial statements are prepared in United Arab Emirates Dirham ("AED"). The functional currency of ICD and a majority of its subsidiaries is AED. Certain subsidiaries have functional currencies other than AED. Their balances have been translated into AED for the purpose of preparing these consolidated financial statements.

Numbers have been rounded to the nearest thousand dirham ("AED'000") except when otherwise indicated.

d) Comparative information

Certain comparative figures have been reclassified, either to conform to the current year's classification, for better presentation of the consolidated financial statements, or in accordance with the relevant requirement of IFRS with no change to the total equity or profit for the year ended 31 December 2017.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new standards, amendments to the existing standards and interpretations effective as of 1 January 2018, as explained below. Apart from the adoption of the below mentioned standards, the application of the other new and revised IFRS effective as of 1 January 2018 did not have any material impact on the Group's consolidated financials. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

a) IFRS 15: Revenue from Contracts with Customers

The Group has adopted IFRS 15 on the date of initial application i.e. 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes the existing revenue guidance, found across several standards and interpretations within IFRS and International Accounting Standards ("IAS"). It establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when (or as) a performance obligation is satisfied i.e., when 'control' of the goods or services underlying the performance obligation is transferred to the customer. A customer obtains control when it has the ability to direct the use of and obtain substantially all of the benefits from the goods or services. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (excluding amounts collected on behalf of third parties).

The Group has adopted IFRS 15 using the cumulative method i.e., by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018 (see notes 2.2.1 and 2.2.2). Therefore, the comparative information has not been restated and continues to be reported under the old accounting standards.

The significant changes in the Group's accounting policies upon adoption of IFRS 15 are:

Revenue recognition - sale of real estate properties

Under old accounting standards, revenue was recognised only when significant risks and rewards of ownership of real estate had been transferred to the buyer. However, under IFRS 15, when any of the criteria for recognising revenue over the period of time is met, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. This is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. Variations in contract work are included to the extent that it is probable that the customer will approve such variations.

b) IFRS 9: Financial Instruments

The Group has adopted IFRS 9 on the date of initial application i.e. 1 January 2018. As a result, the Group has changed its accounting policy for classification and measurement of financial instruments, impairment of financial assets and hedging. Until 31 December 2017, the Group applied the provisions of IAS 39: Financial instruments: Recognition and Measurement to account for its financial instruments.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate its comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition, were recognised in opening retained earnings and other reserves of the current period (see notes 2.2.1 and 2.2.2).

The significant changes in the Group's accounting policies upon adoption of IFRS 9 are:

Classification of financial assets

The new standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The IFRS 9 classification of a financial asset is generally dependent on the business model under which the financial asset is managed, as well as on its contractual cash flows characteristics. Also, under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are never bifurcated. Instead the whole hybrid instrument is assessed for classification.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model followed under IAS 39 with a forward looking 'expected credit losses' ('ECL') model. The new impairment model also applies to certain financial guarantee contracts and other commitments but not to equity investments.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

b) IFRS 9: Financial Instruments (continued)

Reclassification of financial assets
Financial assets are not reclassified subsequent to their initial recognition, except in the period when which the Group changes its business model for managing such financial assets.

Derecognition of financial assets
From 1 January 2018, any cumulative gain or loss recognised in the consolidated statement of other comprehensive income in respect of an equity instrument designated as FVOCI is transferred to retained earnings upon derecognition.

Derivative financial instruments and hedging
IFRS 9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management practices. The new model no longer specifies quantitative measures for hedge effectiveness testing and does not permit voluntary hedge de-designation. As a result, the 80-125% range under IAS 39 is replaced by an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of Group's credit risk on that economic relationship.

IFRS 9 also introduces the concept of rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group may adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

At the date of initial application of IFRS 9, all of the Group's existing designated hedges met the IFRS 9 requirements and are thus treated as continuing hedges.

c) IFRS 7 Financial Instruments: Disclosures
IFRS 7 disclosures were updated to reflect the differences between IFRS 9 and IAS 39, and are adopted by the Group together with IFRS 9, for the period beginning 1 January 2018.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 Impact on transition of IFRS 9 and IFRS 15 on equity:

			Before adoption of IFRS 9 and IFRS 15 (31 December 2017)	After adoption of IFRS 9 and 15 (1 January 2018)				
						Classification under IFRS 9		
	Classification		*Original carrying value*	*Impact on transition (see 2.2.2)*	*New carrying value*	*Amortised cost*	*FVOCI*	*FVTPL*
Financial assets								
Investment securities at fair value	FVTPL		4,658,926	-	5,604,626	-	-	5,604,626
Investment securities at fair value	Available-for-sale investments		22,682,003	17,164	9,711,230	-	6,583,459	3,127,771
Investment securities at amortised cost	Held-to-maturity investments		1,956,177	(14,380)	13,984,034	13,913,757	3,951	66,326
Investment securities			29,297,106	2,784	29,299,890	13,913,757	6,587,410	8,798,723
Islamic financing and investment products	Loans and receivables		62,766,036	(1,406,500)	61,359,536	61,359,536	-	-
Loans and receivables	Loans and receivables		255,496,933	(739,787)	254,757,146	254,757,146	-	-
Cash and deposits with banks	Loans and receivables		153,905,974	(177,698)	153,728,276	153,728,276	-	-
Trade and other receivables	Loans and receivables		29,294,248	(142,191)	29,152,057	29,152,057	-	-
Positive fair value of derivatives	Derivative Instruments		3,190,083	(9,805)	3,180,278	-	-	3,180,278
		(A)	**533,950,380**	**(2,473,197)**	**531,477,183**	**512,910,772**	**6,587,410**	**11,979,001**
Other assets								
Investments in associates and joint ventures	-	**(B)**	**47,302,127**	**1,367,610**	**48,669,737**	-	-	-
Financial liabilities								
Trade and other payables	Amortised cost	**(C)**	**(42,587,319)**	**(43,368)**	**(42,630,687)**	**(42,630,687)**	-	-
Total		**[(A)+(B)+(C)]**	**538,665,188**	**(1,148,955)**	**537,516,233**	**470,280,085**	**6,587,410**	**11,979,001**
Equity attributable to equity holder of ICD								
Retained earnings	-		111,737,007	3,897,448	115,634,455	-	-	-
Cumulative changes in fair value	-		2,741,434	(3,652,836)	(911,402)	-	-	-
Hedge reserve	-		(951,207)	(39,396)	(990,603)	-	-	-
Translation reserve	-		(1,715,096)	(222,186)	(1,937,282)	-	-	-
Legal and statutory reserve	-		2,983,799	(108,328)	2,875,471	-	-	-
		(D)	**114,795,937**	**(125,298)**	**114,670,639**	**-**	**-**	**-**
Non-controlling interest	-	**(E)**	**37,469,258**	**(1,023,657)**	**36,445,601**	**-**	**-**	**-**
Total		**[(D)+(E)]**	**152,265,195**	**(1,148,955)**	**151,116,240**	**-**	**-**	**-**

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.2 The following table shows the impact on transition under IFRS 9 and IFRS 15 on 1 January 2018:

		IFRS 9					IFRS 15			
		Retained earnings ECL / re-measurement impact	*Retained earnings re-classification impact*	*Cumulative changes in fair value re-classification / re-measurement impact*	*Hedge reserve*	*Legal and statutory reserve*	*Retained earnings*	*Translation reserve*	*Non-controlling interests*	*Impact on transition*
Financial assets										
Investment securities										
- Held-to-maturity investments		(624)	-	(8,319)	-	-	-	-	(5,437)	(14,380)
- Available-for-sale investments		80,128	3,418,069	(3,488,692)	-	-	-	-	7,659	17,164
Islamic financing and investment products		(784,312)	-	-	-	-	-	-	(622,188)	(1,406,500)
Loans and receivables		(412,505)	-	-	-	-	-	-	(327,282)	(739,787)
Cash and deposits with banks		(109,310)	-	-	-	-	-	-	(68,388)	(177,698)
Trade and other receivables		(138,508)	-	-	-	-	-	-	(3,683)	(142,191)
Positive fair value of derivatives		(18,292)	-	12,825	-	-	-	-	(4,338)	(9,805)
	(A)	(1,383,423)	3,418,069	(3,484,186)	-	-	-	-	(1,023,657)	(2,473,197)
Other assets										
Investments in associates and joint ventures	**(B)**	(226,092)	208,046	(168,650)	(39,396)	(108,328)	1,924,216	(222,186)	-	1,367,610
Financial liabilities										
Trade and other payables	**(C)**	-	-	-	-	-	(43,368)	-	-	(43,368)
Total impact on adoption of IFRS 9 and IFRS 15	**[(A)+(B)+(C)]**	**(1,609,515)**	**3,626,115**	**(3,652,836)**	**(39,396)**	**(108,328)**	**1,880,848**	**(222,186)**	**(1,023,657)**	**(1,148,955)**

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards, amendments and interpretations relevant to the Group that are issued, but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below.

Standard	Description	Effective date
IFRS 16, 'Leases'	The IASB issued the new standard for accounting for leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance-sheet as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to the erstwhile finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Upon adoption of IFRS 16 on 1 January 2019, the Group's assets are estimated to increase within the range of AED 58 billion to AED 66 billion, and the Group's liabilities are estimated to increase within the range of AED 65 billion to AED 73 billion.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Standard	Description	Effective date
IFRIC Interpretation 23, ‘Uncertainty over Income Tax Treatment’	The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately; • The assumptions an entity makes about the examination of tax treatments by taxation authorities; • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; • How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Upon adoption of this interpretation, no material impact is expected on the Group’s consolidated financial statements.	1 January 2019
IFRS 9, ‘Financial Instruments: Prepayment features with negative compensation’	The amendments clarify that a financial asset passes the ‘solely payments of principal and interest on the principal amount outstanding’ (“SPPI”) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Upon adoption of these amendments, no material impact is expected on the Group’s consolidated financial statements.	1 January 2019
Amendments to IAS 19, ‘Employee Benefits’	The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to: • Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; • Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. Upon adoption of these amendments, no material impact is expected on the Group’s consolidated financial statements.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Standard	Description	Effective date
Amendments to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	The IASB has deferred the effective date of these amendments indefinitely
Amendments to IAS 28 - Investments in Associates and Joint Ventures.	The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019
Annual improvements 2015-2017 cycle (issued in December 2017)	IFRS 3, "Business Combinations" The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. IFRS 11 "Joint Arrangements" A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. IAS 12 "Income Taxes" The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. IAS 23 "Borrowing Costs" The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Upon adoption of above amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2019

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. Subsidiaries are entities controlled by the Group. The list of Group's significant subsidiaries, associates and joint ventures is provided in note 38.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- 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.

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective for instance, the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. The above mentioned circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidated an SPE.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and 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 existing and potential voting rights.

Certain of the Group's subsidiaries manage and administer funds on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements.

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. The 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 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 holder of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction in the consolidated statement of changes in equity.

If the Group loses control over a subsidiary, it:

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

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill
Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as "gain on bargain purchase".

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the relevant reporting period in which the acquisition took place.

Transactions involving entities under common control
Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method. For transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets 'acquired' is reflected as "merger reserve" within equity.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions involving entities under common control (continued)
A number of factors are considered in assessing whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not the transaction brings entities together into a "reporting entity" that did not exist before.

Investments in joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group classifies its investments in joint arrangements into one of two types – joint operations and joint ventures.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where it undertakes its activities under a joint operation, the Group as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are those investments in distinct legal entities over which activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

The Group's investments in joint ventures are accounted for under the equity method of accounting.

Under the equity method, an investment in a joint venture is initially recognised at cost. Thereafter, the carrying amount of an investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to a joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of results of operations of the joint ventures. Where there has been a change recognised directly in the equity of joint ventures, the Group recognises its share of any changes in the consolidated statement of other comprehensive income and consolidated statement of changes in equity. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Adjustments to the numbers reported by the joint ventures to the Group are made where necessary to ensure consistency with the policies adopted by the Group.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint arrangements (continued)
Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the sum of fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement.

When the remaining investment in joint venture retains significant influence, it is accounted for as an investment in associate. If the ownership in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised at cost. Subsequently, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate from the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of other comprehensive income and consolidated statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group's share of results of associates is shown on the face of the consolidated income statement. This is the result attributable to equity holders of the associate and, therefore, is the result after tax and non-controlling interests in the subsidiaries of the associate.

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

Upon loss of significant influence over an 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 sum of fair value of the retained investment and the proceeds from disposal is recognised in consolidated income statement. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

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

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

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

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value; in doing so, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currency translation
The consolidated financial statements are presented in AED, which is ICD's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised in the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where the functional currency of a foreign operation is different from AED, the assets and liabilities of this subsidiary is translated into AED at the rate of exchange ruling at the reporting date and its income statement is translated at the average exchange rate for the period. Exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
The Group has applied IFRS 15 with effect from 1 January 2018. As a result, the Group has applied the following accounting policy in the preparation of its consolidated financial statements.

For contracts determined to be within the scope of IFRS 15, the Group is required to apply a five-step model to determine when to recognise revenue from contracts with customers, and the amount of revenue to be recognised:

Step 1: Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations to be met.

Step 2: Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time when the performance obligation is satisfied.

Principal versus Agent
When more than one party is involved in a transaction for providing the goods and services to the customer, the Group is required to determine whether it acts as a principal or an agent.

The Group acts as a principal if it controls a promised good or service before transferring it to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. The factors considered in making this assessment are most notably whether the Group has discretion in establishing the price for the specified good or service, whether the Group has inventory risk and whether the Group is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

Variable consideration
If the consideration promised in a contract includes a variable amount, then the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. Variable consideration is estimated at contract inception using either expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Significant financing component
The Group is required to assess whether its contract with customers contain a significant financing component, if the period between the customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification
A contract modification occurs when the Group and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

The Group treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Fees and commission
The fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);

- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and

- Other fees and commission income and expense are recognised as the related services are performed or received.

If such fee income forms an integral part of the effective interest rate of a financial instrument it is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and included in ‘Interest income’.

Finance / interest income and expense
Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest 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 (as defined below); or
- the amortised cost of the financial liability (as defined below).

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired financial assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Finance / interest income and expense (continued)
The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective interest method and, for financial assets, adjusted for any stage 3 loss allowance (explained later under "Impairment of financial assets").

Gross carrying amount
The 'gross carrying amount' of a financial asset and a financial liability is the amortised cost of the financial asset before adjusting any loss allowance and the financial liability.

Calculation of interest income and expense
In calculating interest income and expense, the effective interest 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, interest income is calculated by applying the effective interest rate to the amortised cost (as explained above) of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount (as explained above).

For the financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost (as explained above) of the financial asset. The calculation of interest income does not revert to a gross carrying amount (as explained above), even if the credit risk of the asset improves.

Income from Islamic financing and investment products
Islamic financing and investment products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These products are carried at amortised cost (less impairment). The main classes of Islamic investment assets are:

Murabaha
An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the outstanding balance.

Istissna'a
An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Istissna'a revenue and the associated profit margin (difference between the cash price to the customer and the Group's total Istissna'a cost) are accounted for on a time proportion basis.

Ijara
An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent installments. Ijara can end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially transferring all the risks and returns related to the ownership.

Ijara income is recognised on a time proportion basis over the period of contract.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from Islamic financing and investment products (continued)

Mudaraba
An agreement between two parties where one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib. The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. Typically, in theevent of a loss, the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in an event of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas losses are charged to profit or loss on their declaration by the Mudarib.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in the event of default, negligence or violation of any of the terms and conditions of the Wakala.

The estimated income from the Wakala is recognised on an accrual basis over the period and adjusted for any differences with the actual income when received. Losses are accounted for on the date of declaration by the agent.

Sukuk
Investment Sukuk are certificates of equal value, representing undivided shares in the ownership of tangible assets, usufruct and services or assets of particular projects or special investment activities. Sukuk represent a common share in the ownership of the assets made available for investment.

Income is accounted for on a time-apportioned basis over the terms of the Sukuk.

Exchange house trading
Trading commission fees are recognised at the time when the underlying trade has been executed.

Airline revenue
The Group's aviation activities principally generates revenue from commercial air transportation which includes passengers, baggage, cargo, in-flight services and other service like fast check-in, airport shuttle service etc.

The Group assesses whether the promises made in a contract are capable of being distinct and are also distinct within the context of the contract or not. There can be multiple performance obligations in a single transaction; for example multiple services like non-stop flight or multiple connecting/stopover flights, round trips, or ancillary services and customer loyalty programs etc.

Passenger (including excess baggage) and cargo sales are recognised as revenue when (or as) the performance obligation for transportation service is fulfilled towards its customers, and is presented net of discounts. Sales are allocated to each performance obligation based on the relative stand-alone selling price method. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under trade and other payables as "passenger and cargo sales in advance". Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of services to the customer.

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when control of goods or services are transferred to the customer and is stated net of discounts and returns.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Airport operations and Travel services
Revenue from airport operations including ground handling and cargo services is recognised on the performance of services.

Revenue from travel services includes inclusive tours and agency commission earned from the sale of third-party travel products. Where the Group acts as a principal, the total consideration received is allocated to the separate performance obligations based on relative stand-alone selling prices and revenue is recognised upon satisfaction of each performance obligation within a single contract with the customer. Where the Group acts as an agent between the service provider and the end customer, revenue is presented on a net basis.

Revenue from oil and gas products and services
Sale of goods is recognised when the Group has delivered products to the customer; the customer has accepted the products and the collectability of the related receivables is reasonably assured. Sales of crude oil arising from upstream operations exclude the share of crude oil attributable to abandonment and decommissioning barrels under the terms of Production Sharing Agreement ("PSA"). Revenue from services is recognised in the period services are provided in accordance with the respective services agreements. Where products have not been delivered or services have not been performed, but settlements have been received in advance, revenue recognition is deferred until completion of delivery of the products or performance of the services.

Lease income
Lease income from assets under operating lease (including variable rents based on a percentage of lessee's revenue) is recognised as income on a straight line basis over the term of the lease. When the Group provides incentives to its customers, the cost of incentives is recognised on a straight-line basis over the lease, as a reduction of lease income.

Construction and real estate developer revenue
Where the outcome of a performance obligation can be estimated reliably, and when one of the criteria for recognising revenue over time is met in accordance with IFRS 15, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. It is measured as the proportion of contract costs incurred for work performed to date over the estimated total contract costs. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

In applying an input method, the Group excludes the effect of any inputs that do not depict its performance in transferring control of goods or services to the customer.

If none of the criteria to recognise revenue progressively are met, then the Group recognises revenue when it transfers control of the good or service to the customer, which may not be until practical completion is reached.

Revenue related to variation orders is recognised when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured. Claims and incentive payments are recognised as contract revenue when settled or when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be reliably measured.

Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the contract is treated as an onerous contract.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from the customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction and real estate developer revenue (continued)

The policy applicable before 1 January 2018 for revenue recognition by the developer:

As per IFRIC 15, an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate, is an agreement for the sale of goods within the scope of IAS 18 "Revenue Recognition" and accordingly revenue shall be recognised only when significant risks and rewards of ownership of real estate in its entirety have been transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer only when a sales contract has been signed, the buyer has been granted full access to the property and there is an unconditional commitment to transfer the title of the property.

Revenue from hospitality operations

Hotel revenue includes all the revenues received from guests of the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices and are recognised when they have been delivered or rendered.

Management fee from management contracts with third-party hotel owners are typically earned based on hotel's revenue (e.g. base fees). They may also include an incentive fee subject to performance criteria. Base fees are typically billed and collected monthly, and revenue is recognised as services are provided. Incentive management fees are billed and recognised monthly based on each property's financial results, as long as the Group does not expect a significant reversal due to projected future hotel performance or cash flows in future periods.

Exhibitions organising and event services

Revenue derived from the organisation of exhibitions and the provision of event services is recognised immediately once the exhibition or event is held or the services rendered.

Licensing Fees

The Group earns revenue from the sale of licenses, which provide the customers with the right to use of the underlying assets.

The Group identifies each of the performance obligations in a contract that includes a promise to grant a license in addition to other promised goods or services. This includes an assessment of whether the:

- customer can benefit from the license on its own or together with other resources that are readily available; and
- license is separately identifiable from other goods or services in the contract.

When a license cannot be identified distinctly, then the Group recognises revenue for the single performance obligation when (or as) the combined goods or services are transferred to the customer.

When a license is distinct from the other goods or services, then Group assesses its nature to determine whether to recognise revenue allocated to the license at a point in time or over time.

To determine whether the performance obligation is satisfied at a point in time or over time, the Group evaluates whether the nature of its promise is to provide its customer with a right to:

- access the intellectual property throughout the license period; or
- use the intellectual property as it exists at the point in time when the license is granted.

Gains and losses from derivative contracts

Gains and losses arising from the settlement of derivative contract deals during the year are recognised in the consolidated income statement. The fair value of the outstanding contracts is determined based on closing exchange rates and over the counter quotations for the underlying contracts, as well as management's best estimates which takes into consideration various factors including brokers' quotation. The resulting unrealised gains and losses are also recognised in the consolidated income statement with corresponding amounts as other assets and liabilities as the case may be.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidated damages
Income from claims for liquidated damages is recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

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

Government grant
A Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions, if any, will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives a grant of a non-monetary asset, the asset and the grant are recorded at a nominal amount.

Intangible assets (excluding goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value of intangible assets as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recorded in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates i.e. adjusted prospectively. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives as follows:

Service rights	5 - 15 years
Customer relationships, order backlog and trade names	3 - 20 years
Computer software	3 - 10 years
Contractual rights	Over the term of rights
Licenses, exclusive rights and right to use	5 - 50 years

The intangible assets include certain brands and trademarks which have an indefinite life.

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Exploration and evaluation ("E&E") assets
E&E costs in respect of Group's oil and gas operations are initially capitalised within "Intangible assets'. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Pre-license costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the consolidated income statement as they are incurred.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)

Exploration and evaluation ("E&E") assets (continued)
E&E assets related to each exploration licence/prospect are not amortised and are carried forward until the existence (or otherwise) of commercial reserves has been established or the determination process has not been completed. If commercial reserves have been discovered, the related E&E assets are assessed for impairment and any loss is recognised in the consolidated income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and are amortised as per the Group's depletion (depreciation) policy. No depletion is charged during the exploration and evaluation phase.

Tangible assets acquired for use in E&E activities are classified as property, plant and equipment. The depreciation of such tangible assets is recorded as part of the cost of E&E assets.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is only recognised when both the identification and recognition criteria defined in IAS 38, Intangible Assets (listed below) are met:

- the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use;
- the Group has the intention to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources are available to the Group to complete the development and to use or sell the asset; and
- the development cost of the asset can be measured reliably.

If these conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. The expenditure capitalised is from the point at which the above criteria are met up to the point at which the product is considered available for use.

Internally-generated intangible assets are amortised on a straight-line basis over their useful life. The assessment regarding the useful life of capitalised development costs is based upon several factors including typical product lifecycle for similar assets in the market. Management will assess the useful life of capitalised development projects on a case-by-case basis, when they meet the IAS 38 requirements for capitalisation.

Property, plant and equipment
Property plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. An item of property, plant and equipment should be recognized only if it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing, such as repair and maintenance of property, plant and equipment and which largely comprises labour costs and minor parts are recognised in the consolidated income statement as incurred. However, if the expenditure involves replacing a significant part of the asset, this part should be capitalised as part of the property, plant and equipment, if the recognition criteria are met.

Land is not depreciated and is stated at cost less impairment losses, if any.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis over the useful life of property, plant and equipment as follows:

Freehold property	14 - 60 years
Buildings (including leasehold premises) and leasehold improvements	up to 50 years
Furniture, fixture, and office equipment	2 - 20 years
Plant, machinery, equipment and vehicles	up to 40 years
Marine vessels (included under oil and gas interests)	25 years
Aircraft, aircraft engines and parts	5 - 23 years (residual value Nil - 10%)
Aircraft held for lease (given on operating leases to various operators)	Not to exceed 25 years from the date of manufacture (residual value do not exceed 15%)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When significant parts of items of property, plant and equipment are required to be replaced at regular intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a separate part if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or useful life of the asset concerned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

The asset’s residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Development and production assets
Development and production assets represent the cost of developing the commercial oil and gas reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

The Group's material development and production activities are conducted in accordance with the PSA between one of the Group’s indirect subsidiaries engaged in oil and gas business, and an agency of the relevant government of the country where such development and production activities are carried out. Capital and operating costs are recovered as part of the cost recovery mechanism provided for in the PSA.

Cost of development and production assets also include licence acquisition costs, drilling, infrastructure projects and a proportion of directly attributable administrative and overhead costs.

Inventory of drilling spares is classified under property, plant and equipment and is not depleted until it is put to use as development and production assets.

Depletion of development and production assets is provided using the unit-of-production method, with reference to the ratio of the production during the period and the estimated commercial reserves of the field taking into account future development expenditures necessary to bring those reserves into production. Changes in estimates affecting the unit-of-production calculations for depletion are accounted for prospectively. Gas reserves are converted into barrels of oil equivalent based on energy conversion rate for the purpose of determining the depletion charges.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Development and production assets (continued)
At the end of each year, an assessment is made as to whether the economic value of interests is in excess of costs capitalised. Costs capitalised as depletable interests in excess of the estimated value of the Group's discounted future net revenues of its commercial reserves are impaired as additional depletion.

Commercial reserves
Commercial reserves are estimated quantities of proven and probable oil and gas reserves that available data demonstrates, with a specified degree of certainty, to be recoverable in future from known reservoirs that are considered commercially producible. The working interest of the proven and probable commercial reserves are based on a reserves report produced by an independent engineer. Reserves estimates are reviewed by the independent engineer based on significant new data or a material change with a review of the field undertaken generally every year. The Group’s entitlement to the proven and probable commercial reserves are derived based on the terms of the PSA and certain assumptions made by the management in respect of estimates of oil and gas reserves, future oil and gas prices, future development costs including the cost of drilling, infrastructure facilities, signing of the gas sales agreement and other capital and operating costs.

Capital work-in-progress
Assets in the course of construction are carried at cost less accumulated impairment losses, if any.

Manufacturers’ credits
Group’s subsidiaries engaged in the aviation business receive credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the nature of such credits, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are taken on operating leases, these credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits; any outstanding balance as at the reporting date is accounted as a liability (deferred credits) in the consolidated statement of financial position. Where the aircraft are given on operating lease, these credits are transferred to the lessees.

Aircraft held for lease
Aircraft held for lease are stated at cost less accumulated depreciation and impairment losses, if any.

The maintenance right asset presented as a component of aircraft held for lease represents the value of the difference between the contractual right under the acquired lease to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The maintenance right asset will be amortised over the remaining useful life of the aircraft. Once the related maintenance work is performed, the unamortised amount will then be capitalised on to the aircraft. If the work is not performed, the amount will be disposed of and any related maintenance reserves will be utilised against the amount recorded in the consolidated income statement.

Major improvements to be performed by the Group pursuant to the lease agreement are accounted for as lease incentives and are amortised against revenue over the term of the lease, assuming no lease renewals. Lessee specific modifications to the aircraft are capitalised and also amortised against revenue over the term of the lease. Generally, lessees are required to provide for repairs, scheduled maintenance and overhauls during the lease term and to be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is off-lease are capitalised and depreciated over the remaining life of the aircraft held for lease when these increase the future economic benefit of related aircraft. Miscellaneous repairs are expensed when incurred.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease (continued)
At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair value by comparing the contractual lease rates to the range of current lease rates of similar aircraft. A lease premium is recognised when it is determined that the acquired lease's terms are above fair value; lease discounts are recognised when it is determined that the acquired lease's terms are below fair value. Lease premiums and discounts are capitalised as a portion of the aircraft held-for-lease value and are amortised as rental revenue on a straight line basis over the lease term.

Expenditures incurred to transition an aircraft from one lessee to another due to either the lease termination or bankruptcy are expensed as incurred as aircraft transition costs.

Aircraft purchase deposits
Aircraft purchase deposits are included in capital-work-in progress and represent the progress payment, with various aircraft manufacturers.

Investment properties
Properties held for rental income and/or for capital appreciation, and/or held with undetermined future use, which are not occupied by the Group companies (properties occupied by the Group are classified under "property, plant and equipment") are classified as investment properties. The Group has adopted the cost model for accounting for its investment properties. Accordingly, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Land is not depreciated and is stated at cost less impairment, if any.

Properties under construction are carried at cost less accumulated impairment losses, if any.

The carrying amount of an investment property includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and it excludes the costs of day to day servicing of an investment property.

Depreciation is calculated on a straight line method to write-off the cost of investment properties over their estimated useful lives. These are estimated by management to be between 14 and 50 years.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any amendment to the above is accounted for prospectively.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties or vice versa, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gain or loss arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated income statement in the year the asset is derecognised.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development properties
Properties that are being constructed or developed for future use as investment properties or property, plant and equipment, are classified as development properties and are stated at cost less impairment losses, if any, until construction or development is complete. Properties in the course of construction for sale are also classified as development properties and are stated at the lower of cost less accumulated impairment, or net realisable value.

Cost includes:
- freehold and leasehold rights for land.
- amounts paid to contractors for construction.
- borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated cost of sale.

Management reviews the carrying value of development properties on an annual basis.

Upon completion of its construction or development, the property is reclassified under investment properties, property plant and equipment, or inventory property depending on its future intended use. No depreciation is charged during the development period.

Completion is defined as the earlier of the issuance of a certificate of practical completion, or when management considers the property to be completed.

With respect to real estate and development subsidiaries, the cost of land and cost incurred in the course of development relating to properties sold during the year, for which revenue is recognised, are transferred to cost of revenues.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in the consolidated income statement. Property, plant and equipment acquired under the finance leases (mainly aircraft) are depreciated in accordance with the Group's policy.

Operating leases are those that do not meet the definition of a finance lease. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (excluding aircraft held for lease)
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in the consolidated income statement on a straight-line basis over the lease term.

Sale and leaseback transactions
Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

When profits arise on a sale and leaseback transaction resulting in a finance lease, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for appropriately and prospectively over the remaining term of the lease.

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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are 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. In determining fair values less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss recognised in respect of goodwill cannot be reversed. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying amount that would have been determined, net of depreciation / amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

The following criteria are applied in assessing the impairment of specific assets:

Goodwill
Goodwill is reviewed by the Group for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Goodwill (continued)
Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which goodwill relates. Where the recoverable amount of a CGU is less than the carrying amount of that CGU to which goodwill has been allocated plus the carrying amount of such goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment at every reporting period either individually or at the CGU, as appropriate.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss against the carrying value of Group's investments in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amounts of the investments in associates or joint ventures (as the case may be) and their carrying values and recognises the resultant impairment in the consolidated income statement.

Financial Instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and measurement of financial assets and liabilities

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

<u>The policy applicable before 1 January 2018</u>

Financial assets within the scope of IAS 39 are classified as either:

- financial assets at FVTPL;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at FVTPL directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at FVTPL when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable before 1 January 2018 (continued)

i) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at FVTPL are carried at fair value and any changes in fair value are recognised in consolidated income statement.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables include trade, contracts, retentions and other receivables, originated loans, due from banks (from the Group's banking operations), deposits, Islamic financing and investments assets, syndicated loans funded on origination and other debt securities acquired (purchased) by the Group either from the issuer or another source, provided that they are not quoted in an active market. Subsequent to initial recognition such assets are carried at amortised cost using the effective interest method net of interest suspended, provisions for impairment and any amounts written off. Gains and losses are recognised in consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Subsequent to initial recognition such assets are carried at amortised cost using the effective interest method net of interest suspended, provisions for impairment and any amounts written off. Gains and losses are recognised in consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

a) Trade and other receivables

Subsequent to initial recognition, trade receivables are stated at amortised cost which is usually original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

b) Due from banks and deposits

Subsequent to initial recognition, these are stated at amortised cost less any amounts written off and provision for impairment, if any.

c) Islamic financing and investing products

The Group's Islamic financing and investing products consist of Murabaha, Mudaraba, investments under Sukuk and Wakala arrangements, Istisna'a and Ijara contracts.

Subsequent to initial recognition, all Islamic financing and investing assets are stated at amortised cost less any provisions for impairment and deferred income.

d) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable before 1 January 2018 (continued)

iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. These include certain debt instruments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost (less impairment, if any).

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with any fair value gains or losses being recognised as cumulative changes in fair value in other comprehensive income, except in case of impairment where the accumulated loss is recycled in the consolidated income statement. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income / equity is recognised in the consolidated income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Assets in this category are included in non-current assets unless management intends to dispose off the assets within twelve months of the reporting date. The assets are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated income statement.

The policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead the whole hybrid instrument is assessed for classification purposes.

i) Financial assets measured at amortised cost

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

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

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment related to these assets are recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

The policy applicable from 1 January 2018 (continued)

ii) Financial assets measured at FVOCI

a) Debt instruments

Debt instruments are measured at FVOCI where they meet both of the following conditions and are not designated as measured at FVTPL:

- the contractual cash flows are solely payments of principal and interest on the outstanding principal; and
- the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment (including reversals) are recognised in the consolidated income statement. Other net gains and losses are recognised in the consolidated statement of OCI.

b) Equity instruments

Equity instruments are normally measured at FVTPL. However, upon initial recognition of equity instruments that are not held for trading, the Group may elect to designate them as measured as FVOCI and accordingly present subsequent changes in the fair value of the instrument in the consolidated statement of other comprehensive income. This election is irrevocable and made on an instrument-by-instrument basis.

Foreign exchange gains or losses arising on these assets are recognised in the consolidated income statement. Dividends are also recognised as income in the consolidated income statement unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are recognised in the consolidated statement of OCI.

iii) Financial assets measured at FVTPL

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

All other financial assets are classified as measured at FVTPL. This includes derivatives and financial assets held for trading.

Financial assets that are held for trading 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.

These assets are subsequently measured at fair value and net gains or losses are recognised in the consolidated income statement.

Business model assessment

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

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and expectations about the future trading activity. However, information about trading 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;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

<u>The policy applicable from 1 January 2018 (continued)</u>

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

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

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchase in the near term.

Financial liabilities may be designated at FVTPL on initial recognition, if the following criteria are met:
a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
b) they are managed within a group of financial liabilities or of financial assets and financial liabilities whose performance is evaluated on a fair value basis; or
c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated income statement. Any gains and losses arising from changes in own credit risk are recognised in OCI.

Financial liabilities measured at amortised cost mainly includes borrowings and lease liabilities, customer deposits, Islamic customer deposits and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement through the effective interest method amortisation process as well as when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated income statement.

Reclassification

<u>The policy applicable before 1 January 2018</u>

The Group determines the classification of its financial assets at initial recognition and, where permitted and appropriate, re-evaluates this designation at each financial year-end.

Reclassifications of financial liabilities after initial recognition is not permitted.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Reclassification (continued)

The policy applicable from 1 January 2018

The Group reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

The Group determines the classification of financial liabilities on initial recognition. Their subsequent reclassification is not permitted.

Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows 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 a new financial asset is recognised at fair value. The difference on derecognition of the original financial asset is recognised as gain / loss in the consolidated income statement.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different, then a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and that of the new financial liability with modified terms is recognised in the consolidated income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the rights to receive cash flows from the asset have expired; or
b) the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Any gain or loss on derecognition of financial assets measured at amortised cost is recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition (continued)
Upon derecognition of debt instruments measured at FVOCI, gains or losses accumulated in the consolidated statement of other comprehensive income are reclassified to the consolidated income statement.

Any cumulative gain or loss recognised in the consolidated statement of OCI in respect of an equity instrument designated as FVOCI is reclassified to retained earnings upon derecognition.

Until 31 December 2017, such gain or loss were reclassified to the consolidated income statement

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

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

Impairment of financial assets

<u>The policy applicable before 1 January 2018</u>

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and advances (mainly comprised of loans and receivables related to banking operations)
Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the consolidated income statement. The carrying amount of impaired loans on the consolidated statement of financial position is reduced through the use of impairment allowance accounts.

Individually assessed loans and advances
For all loans that are considered individually significant, the Group assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment. The criteria used by the Group to determine that there is such objective evidence include:
- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- decline in the realisable value of the security;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:
- the Group’s aggregate exposure to the customer;
- the viability of the customer’s business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors’ commitments ranking ahead of, or pari passu with, the Group and the likelihood of other creditors continuing to support the customer;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- when available, the secondary market price of the debt.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable before 1 January 2018 (continued)

Individually assessed loans and advances (continued)
Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and advances
Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- for homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment
Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurrence and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurrence and its identification is estimated by management for each identified portfolio.

Homogeneous groups of loans and advances
Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans that are not considered individually significant, because individual loan assessment is impracticable.

Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

Other assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets
In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale investment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement is removed from OCI and recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated income statement.

If in a subsequent period, the fair value of an available-for-sale debt instrument increases which can be linked objectively to an event occurring after the write down, the write-down or impairment allowance is reversed through the consolidated income statement.

The policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on the following instruments that are not measured at FVTPL:

- financial assets measured at amortised cost and debt instruments carried at FVOCI;
- lease receivable under IAS 17;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets (as defined in IFRS 15).

No impairment loss is recognised on equity instruments that are financial assets.

The Group measures impairment allowances either using the general or the simplified approach as considered appropriate.

Under the general approach, impairment allowances are measured at an amount equal to 12-month ECL except when there has been a significant increase in credit risk since inception. In such cases, the Group measures impairment allowances at an amount equal to credit loss expected over the life of the financial asset.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is a significant increase in credit risk.

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL.

For ECL under the simplified approach, the Group uses a provision matrix approach to measure the ECL mainly on trade receivables, retention receivables, contract receivables, and finance lease receivables. The estimation of ECL under the provision matrix approach is based on a historical credit loss experience adjusted for forward-looking information.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable from 1 January 2018 (continued)

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired: measured as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: measured as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive upon such drawdown; and
- financial guarantee contracts: measured as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit losses are measured using a ‘three-stage’ approach based on changes in credit-quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to ‘stage 2’ but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3.
- Financial instrument in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on purchase or originated credit-impaired financial assets is measured on a lifetime basis by the Group.

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

- Probability of Default (‘PD’)
- Loss Given Default (‘LGD’)
- Exposure At Default (‘EAD’)

In order to compute ECL, PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on an annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed up. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the loans. The maturity profile is based on historically observed data.

EADs are determined based on the expected payment profile, this is generally based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the borrower.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and business segment characteristics, and macro-economic outlook.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial asset (continued)

The policy applicable from 1 January 2018 (continued)

Restructured or modified 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 the financial difficulties of the borrower, then an assessment is made to ascertain whether the financial asset should be derecognised and ECLs are measured as follows:

- if the expected restructuring or modification does not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in the calculation of cash shortfalls arising from the existing asset.
- if the expected restructuring results in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow arising from the existing financial asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls arising from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Purchased or originated credit- impaired ("POCI") assets
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value on original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. Life time ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

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

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties or other economic factors.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the consolidated income statement.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging
The Group uses derivative financial instruments as trading investments as well as to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when their fair value is negative.

Gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

For the purpose of hedge accounting, hedging relationships are categorised as either:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or,
- Hedges of net investment in a foreign operation (net investment hedges).

Hedge accounting rules are governed by IFRS (2017: IAS 39, 2018: IFRS 9) and apply to financial instruments that qualify as hedging instruments and are designated in a hedging relationship such as one of the three categories listed above.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Hedge effectiveness is measured by the Group on a prospective basis at inception and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of derivative related credit risk on the valuation of the hedging derivative and hedged item. To mitigate this credit risk, the Group executes hedging derivatives with high quality counterparties and the majority of the Group's hedging derivatives are collateralised.

Hedges that meet the criteria for hedge accounting as defined by IFRS are accounted for as follows:

Fair value hedge
When a derivative is designated as the hedging instrument in a fair value hedge of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedge
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivative is recognised in the 'hedge reserve' within equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the consolidated income statement.

The accumulated gains and losses recognised in OCI are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Cash flow hedge (continued)
When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the income statement.

Net investment hedges
Net investment hedging instruments often consist of derivatives such as forward contract that are accounted for in the same manner as cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income in the translation reserve. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the consolidated income statement. The amount recognised in other comprehensive income is reclassified to the income statement as an adjustment on disposal of the foreign operation.

Inventories
Inventories are stated at the lower of cost and estimated net realisable value. Cost of materials comprises of expenditure incurred in bringing each product to its present location and condition. Cost of finished goods and work in progress comprises of cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs and is determined as below:

Petroleum products	*weighted average*
Airline inventory for internal use (excluding consumer goods)	*weighted average*
Airline consumer goods	*first-in-first-out*
Other consumable goods	*weighted average*
Contracting inventory	*first-in-first-out*

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Properties held with the intention of sale in future are classified as inventory properties under inventory. Inventory properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Management reviews the carrying values of the inventory properties at each reporting date.

Crude oil overlifts and underlifts
Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold or held as inventory by the Group at the reporting date. Underlifts and overlifts of entitlement to crude oil production are measured at market value and recorded as a receivable and payable, respectively. The movement within an accounting period is adjusted through changes in inventory in the consolidated income statement.

Work in progress and excess billings (in respect of construction contracts)
Work in progress is stated at cost plus attributable profits, less provision for any anticipated losses and progress payments received and receivable and shown as contract receivables. Where the payments received or receivable for any contract exceed the cost plus attributable profits or less anticipated losses, the excess is shown as excess billings.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks, due from banks and Islamic financing and investment products with original maturity of three month or less, net of bank overdrafts and due to banks with an original maturity of three month or less.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance reserve

One of the Group's subsidiary engaged in aircraft leasing business has created maintenance reserve. Maintenance reserve comprise of maintenance advances, lessor contributions, repossession provisions, re-lease provisions and heavy maintenance provisions. In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

The Group also recognises maintenance reserves that are not expected to be reimbursed to lessees, as lease revenue, during the lease term when the Group has reliable information that the lessee will not require reimbursements of additional rentals based on a maintenance forecasting model. Where amounts expected to be reimbursed are not certain, revenue is recognised at the end of the lease.

When aircraft are sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised from the consolidated statement of financial position as part of the gain or loss on disposal of the aircraft.

Lessor contributions

At the beginning of each new lease subsequent to the first lease on a new aircraft, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

Lessor contributions in respect of end of lease adjustments are recognised when the group believes it is probable that it will be required to reimburse amounts to a lessee and the amount can be reasonably estimated.

Frequent flyer programme ("Skywards")

The Group's airline subsidiaries operate a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on the Group's airlines and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

These subsidiaries account for Skywards miles (predominantly accrued through sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to Skywards miles based on their stand-alone selling price, adjusted for expected expiry and the extent to which the demand for an award cannot be met, and is accounted for as a contract liability (deferred revenue) in the consolidated statement of financial position. The standalone selling price is determined using the adjusted market assessment approach, using estimation techniques and taking into consideration the various redemption options available to Skywards members. Marketing income earned from partners associated with the programme is recognised when the miles are issued.

Revenue for redemption of miles is recognised in the consolidated income statement only when they fulfil its obligations by supplying free or discounted goods or services on redemption of the miles accrued, or when the validity of the miles or points expires.

Abandonment and decommissioning costs

The PSA provides for a fixed proportion of the proceeds of the Group's oil production to be set aside in an escrow bank account to meet abandonment and decommissioning costs of wells, platforms and other facilities and is not therefore available for other purposes. Previously, under an arrangement, the abandonment and decommissioning funds were held in designated accounts controlled by the Group and were classified, together with the related liability, as current in the consolidated statement of financial position.

Following an amendment to the PSA, the abandonment and decommissioning funds were distributed to the Group and the agency of the relevant government in an agreed ratio and the liability was extinguished. In accordance with the terms of the PSA, abandonment and decommissioning obligations are limited to the accumulated abandonment and decommissioning funds set aside in an escrow account.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits
The Group operates or participates in various end of service benefit plans that are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which the relevant subsidiary pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets at this date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the reporting date of high quality bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

Actuarial gains and losses for defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are immediately recognised in retained earnings through consolidated statement of comprehensive income in the period in which they arise.
UAE national employees participate in the UAE government’s pension fund to which the employee and the Group contribute a specified percentage of salary. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

Senior employees of certain subsidiaries who are based in the UAE also participate in provident funds to which employees of the relevant subsidiary and the subsidiary itself contribute a specified percentage of salary. Contributions to provident funds are charged to the consolidated income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and employees’ latest basic salary levels. End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

Share-based compensation plans
Certain employees (including senior executives) of some of the Group’s subsidiaries receive remuneration in the form of shares, whereby such employees render services in consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value of shares at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Interest / profit is payable on various facilities, bank borrowings and bank loans at normal commercial rates. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Sale and repurchase agreements

Securities sold subject to repurchase agreements (“repos”) are disclosed in the Group’s consolidated financial statements when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included as a separate deposit. Securities purchased under agreements to resell (“reverse repos”) are recorded as loans to and receivables from other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expenses relating to provisions are presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual return conditions on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised over the lease term considering the existing fleet plan and long-term maintenance schedules.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but is disclosed when an inflow of economic benefits is probable.

Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders, for a loss they incur because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes
Income tax expense comprise current and deferred tax. Income tax expense also include any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group entities operate.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, that affects neither accounting nor taxable profit or loss; and
- in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which they can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities, respectively.

Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through their continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to sell, and the sale transaction should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of the Group that is a CGU or a group of CGUs, that either has been disposed of, or is classified as held for sale or distribution, and:

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

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the consolidated statement of financial position. Results of the discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the senior management of ICD, who makes strategic decisions and is responsible for the overall allocation of resources and assessment of performance of the operating segments.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The following areas describe the key sources of uncertainty where management of the relevant entities exercised judgments and made assumptions that have a material impact over the carrying value of assets and liabilities.

Financial Instruments (applicable before 1 January 2018)

Classification of investment securities
Management decides at the time of initial recognition of an investment whether it should be classified as held-to-maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held-to-maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Group has the intention and ability to hold these to maturity.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Financial Instruments (applicable before 1 January 2018) (continued)

Classification of investment securities (continued)
The Group follows the IAS 39 unless on the classification of non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investment securities to maturity. In the event a Group entity fails to keep these investments to maturity other than for the specific circumstances, such as, selling an insignificant amount close to maturity, the Group is required to reclassify the entire class as available-for-sale and is prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investment securities are classified as available-for-sale.

Impairment of available-for-sale investments
The Group treats an available-for-sale investment as impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost, or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted securities and the future cash flows and the discount factors for unquoted securities.

The Group follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In doing so, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Allowances for impairment of loans and receivables, Islamic financing and investment products
The Group's banking operations review its loans and receivables portfolio, Islamic financing and investment products to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group considers whether any observable data indicates that there is a measurable decrease in the contractual future cash flows of a loan or homogenous group of loans or Islamic financing and investment products. 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.

In addition to specific allowances against individually significant loans and receivables and Islamic financing and investment products, the Group also makes a collective impairment allowance to recognise that at any reporting date, there will be an amount of loans and receivables, Islamic financing and investment products that are impaired even though a specific trigger point for recognition of the loss has not yet been evidenced (known as the "emergence period'').

Financial Instruments (applicable from 1 January 2018)

Classification of financial assets under IFRS 9
When the Group classifies financial assets, it makes judgements and estimates to:
- Assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding.
- Determine the classification of certain financial assets as measured at FVTPL or at FVOCI.
- Determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Financial Instruments (applicable from 1 January 2018) (continued)

Significant increase in credit risk
While estimating ECL, the Group assumes that the credit risk on a financial asset has significantly increased since initial recognition, when there is an objective evidence or key risk indicators to support it.

IFRS 9 contains a rebuttable presumption that instruments that are 30 days past due have experienced a significant increase in credit risk.

The Group performs the following analysis to find objective evidence or key risk indicators of increased credit risk:

- The Group compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination.
- The Group performs additional qualitative reviews to assess the significant increase in credit risk and make adjustments, as necessary, to better reflect the positions that have significantly increased in risk.

Macroeconomic factors and forward looking information
IFRS 9 requires an unbiased and probability weighted estimate of credit losses obtained by evaluating a range of possible outcomes that incorporate forecasts of future economic conditions. Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since inception. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Definition of default
The definition of default followed by the Group for impairment assessment is in line with the guidelines of IFRS 9. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

Fair value of financial instruments
The fair value of investments that are actively traded on organised financial market is determined by reference to quoted market bid prices at the close of business of the reporting date. Where the fair value of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, it is determined using a variety of valuation techniques including the use of various valuation models. The input to these models is taken from observable market data where possible, and where not possible, a degree of judgement is required in establishing fair values.

Revenue from contracts with customers (applicable from 1 January 2018)

Satisfaction of performance obligations
The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of revenue recognition.

Determination of transaction prices
The Group determines the transaction price in respect of each of its contracts with customers. In doing so, the Group assesses the impact of any variable consideration, any significant financing component and any non-cash consideration included in the contract.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Revenue from contracts with customers (applicable from 1 January 2018) (continued)

Allocation of transaction price to performance obligation in contracts with customers
A transaction price is allocated to each performance obligation on the basis of their stand-alone selling prices. The Group estimates standalone selling price as a price at which a promised good or service is sold separately to a customer in the market. Where an observable market price is not available, 'the adjusted market assessment approach', 'the expected cost plus margin approach' or 'the residual method', as relevant, may be used to estimate the stand-alone selling price.

Method to recognise revenue over time
The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations when revenue is recognised over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognised. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

Transfer of control in contract with customer
Where the Group determines that performance obligations are satisfied at a single point in time, revenue is recognised when control over the asset is transferred to the customer. Significant judgement is required to evaluate when 'control' is transferred to the customer.

Passenger and cargo revenue recognition
The Group's subsidiaries recognise passenger and cargo sales as revenue when each performance obligation for the transportation service is fulfilled. The value of unused revenue documents is held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Passenger ticket related breakage is estimated based on historical trends and recognised in the consolidated income statement proportionally with each transfer of service to the customer. A 5% change to the breakage percentage will not result in a material change to passenger and cargo revenue.

Impairment losses on property, plant and equipment, investment properties and development properties ("Properties")
The Group reviews its Properties to assess at each reporting date whether there are any indications of impairment. In determining whether impairment losses should be reported in the consolidated income statement, the Group assesses whether there is any observable data indicating that there is a reduction in the carrying value of its Properties. Accordingly, an allowance for impairment is made where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the carrying value of the Properties.

Depreciation of property, plant and equipment and investment properties
The Group determines the useful lives and residual values of property, plant and equipment and investment properties based on the intended use and the economic lives of those assets. Subsequent changes in circumstances due to factors such as technological advancement or a change in the prospective utilisation of these assets could result in the actual useful lives or residual values differing from initial estimates.

Development and production assets – depletion
One of the Group's subsidiaries' share of commercial oil reserves is computed in accordance with a PSA. In arriving at the carrying value of the Group's development and production assets, significant assumptions have been made in respect of the depletion charge. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, signing of the gas sales agreement and estimates of future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

The depletion charge computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Frequent flyer programme

The Group's airline subsidiaries account for Skyward miles (predominantly accrued through sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sale transaction in which they are granted. The consideration in respect of the initial sale is allocated to Skyward miles based on their stand-alone selling price and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position.

The stand-alone selling price is determined using an adjusted market assessment approach. The adjusted market assessment approach involves the use of estimation techniques to determine the standalone value of Skyward miles and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. Adjustments to the stand-alone selling price of miles are also made in consideration of those miles not expected to be redeemed by programme members and of the extent to which the demand for an award cannot be met.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the stand-alone selling price of miles. A reasonably possible change to any single assumption will not result in a material change to the deferred revenue.

Provision for aircraft return conditions

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Group's subsidiaries operating in the aviation sector. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

Classification of operating lease – Group as a lessor

The Group has entered into aircraft leases and commercial residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and so accounts for the lease contracts as operating leases.

Classification of finance lease – Group as a lessee

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to the Group. In determining the appropriate classification, the substance of the transaction rather than its form is considered. Factors considered include but are not limited to the following:

- whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- whether the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date;
- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where the Group enters into an aircraft sale and leaseback transaction, the timing and amount of profit recognised on the transaction depends on the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to the diversity of inputs that goes into the determination of the aircraft value; this includes references to third party valuations.

Impairment of investments in associates and joint ventures (equity accounted investments)

At each reporting date, an assessment is made to ascertain whether there is any objective evidence of impairment in the carrying values of investments in associates and joint ventures. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is usually determined based on value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted entities. Publicly listed companies often operate under restrictions due to the applicable listing regulations on disclosure of information to a selective group of the equity holders and, therefore for such investments, the Group develops its own estimated cash flows using publicly available data or analysts' forecasts, as appropriate.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of other non-financial assets
The Group assesses whether there are any indicators of impairment in the carrying values of other non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and selects a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of intangible assets on acquisition
For each acquisition, the Group assesses the fair value of intangible assets acquired. In instances where the fair value of individual assets in a CGU cannot be measured reliably, a single asset separate from goodwill is recognised. Where the fair value of an intangible asset cannot be determined by reference to the value of assets on an active market, fair values are established using valuation techniques e.g. discounting future cash flows the assets. In the process, estimates are made of the future cash flows, the useful life and the discount rate based on the Group's experience and expectation at the time of acquisition.

Amortisation of intangible assets
The Group assigns useful lives and residual values to intangible assets based on the intended use of the assets, the underlying contractual or legal rights and historical experience. Subsequent changes in circumstances due to factors such as technological advancement, changes in the terms of the underlying contracts or prospective utilisation of these assets result in the useful lives or residual values differing from initial estimates. The Group has reviewed the residual values and useful lives of major intangible assets and made adjustments where necessary.

Provision for obsolete inventory
The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the consolidated income statement, the Group assesses whether there is any observable data indicating that there are future adverse factors affecting the saleability of the product and the net realisable value for such product. Accordingly, a provision for impairment is recognised where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on past movement including future expected consumption or age analysis.

Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigation arising in the ordinary course of business. Provision for contingent liabilities arising from litigation are based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property. In making its assessment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its assessment.

Pension and other post employment benefits
The cost of defined benefit pension plans and other post employment medical benefits is determined using a number of methods including actuarial valuations. This process involves making assumptions about expected rates of return on assets, discount rates, future salary increases, mortality rates and future pension increases and the assessment of the materiality of the amounts involved. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Income taxes
The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax payable based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

3 OTHER INCOME

	2018 AED'000	*2017 AED'000*
Foreign exchange income – net	**999,424**	1,657,860
Net gain on disposal of investment in subsidiaries, associates and joint ventures	**771,427**	58,372
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	**534,039**	488,539
Net gain / (loss) on disposal of assets and liabilities classified as held for sale	**120,569**	(55,099)
Net gain on sale of available-for-sale investments	**-**	255,538
Liquidated damages	**646,867**	174,791
Vendors' support fee income	**321,859**	306,231
Net gain on sale of investment securities measured at FVOCI	**11,828**	-
Net change in fair value of investment securities measured / held at FVTPL	**(309,169)**	144,004
Others	**2,239,319**	2,072,108
	5,336,163	5,102,344

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018 AED'000	*2017 AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 20)	**1,595,748**	1,704,447
Impairment loss on Islamic financing and investment products – net of recoveries (see note 19)	**564,839**	574,927
Impairment loss on trade and other receivables - net of recoveries (see note 18)	**240,072**	66,383
Impairment loss on investment securities	**16,442**	27,224
Impairment loss on other non-current assets – net of recoveries (see note 16.3)	**10,020**	(3,720)
Reversal of impairment loss on cash and deposits with banks - net	**(3,136)**	-
Bad debt recovery - net of other losses	**(343,518)**	(139,611)
	2,080,467	2,229,650

5 OTHER FINANCE INCOME

	2018 AED'000	*2017 AED'000*
Interest income and profit from bank deposits and investing activities	**1,104,243**	534,049
Interest income and profit from associates and joint ventures (see note 35(a))	**529,613**	588,999
Interest income and profit from the Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 35(a))	**412,788**	387,921
Other interest income and profit	**107,634**	172,541
	2,154,278	1,683,510

6 OTHER FINANCE COSTS

	2018 *AED'000*	*2017* *AED'000*
Finance costs on borrowings	**3,032,506**	2,258,142
Finance charges on finance leases and hire purchase contracts	**1,464,835**	1,262,531
Interest / profit on loans from associates and joint ventures (see note 35(a))	**491,334**	378,311
Interest / profit on loans from Government, MOF and other related parties (see note 35(a))	**374,194**	335,237
Others	**605,001**	413,640
	5,967,870	4,647,861

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2018 *AED'000*	*2017* *AED'000*
Current income tax		
Current income tax charge	**670,056**	523,504
Deferred income tax		
Relating to origination and reversal of temporary differences (see below)	**216,902**	20,963
Income tax expense	**886,958**	544,467

Deferred income tax

Deferred income tax at year-end relates to the following:

	Consolidated statement of financial position 2018 AED'000	***Consolidated income statement 2018 AED'000***
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**2,861,691**	**214,400**
Tax effect of intangible assets and other timing differences	**(1,020,966)**	**40,637**
	1,840,725	**255,037**
Deferred tax assets		
Losses available for offset against future taxable income	**10,543**	**2,671**
Other timing differences	**217,272**	**(40,806)**
	227,815	**(38,135)**
Deferred income tax		**216,902**

7 INCOME TAX EXPENSE (continued)

Deferred income tax (continued)
Deferred income tax at year-end relates to the following: (continued)

	Consolidated statement of financial position 2017 AED'000	*Consolidated income statement 2017 AED'000*
Deferred tax liabilities		
Accelerated depreciation for tax purposes	2,804,949	166,775
Tax effect of intangible assets and other timing differences	(1,246,584)	(63,356)
	1,558,365	103,419
Deferred tax assets		
Losses available for offset against future taxable income	5,278	(53,700)
Other timing differences	171,072	(28,756)
	176,350	(82,456)
Deferred income tax		20,963

A significant part of the Group's operations are carried out within the UAE and currently the Group's operations in the UAE are not subject to corporation tax. Some of the Group's subsidiaries operating abroad secured tax exemptions by virtue of double taxation avoidance agreements and reciprocal arrangements in most of the jurisdictions in which they operate. Income tax therefore relates only to certain overseas subsidiary companies and operations that are subject to income tax.

The relationship between the tax expense and the accounting profit can be broadly explained as follows:

	2018 AED'000	*2017 AED'000*
Net profit before tax	**22,278,043**	25,186,804
Of which profit arising from taxable jurisdictions is:	**3,890,628**	2,318,372

	2018 AED'000	*2017 AED'000*
Tax calculated at domestic tax rates applicable to profits arising in taxable jurisdictions	**770,820**	606,452
Effect of non-deductible expenses	**68,570**	7,006
Effect of income exempt from tax	**(19,706)**	(40,824)
Prior period adjustment / release of provision	**4,575**	(8,725)
Impact of tax rate change - net	**(24,419)**	3,070
Effect of other items - net	**87,118**	(22,512)
Income tax expense - net	**886,958**	544,467

8 PROFIT FOR THE YEAR

	2018 AED'000	*2017 AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**29,468,024**	27,043,803
Rental-operating leases (includes aircraft operating lease expense of AED 11,858,164 thousand (2017: AED 11,195,058 thousand))	**12,799,580**	12,001,837
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 10, 12 and 13)	**16,012,186**	14,268,246
Amortisation and impairment of intangible assets and release of advance lease rentals (see notes 11 and 16.2)	**1,591,645**	1,454,647

Staff costs include pension costs of AED 174,461 thousand (2017: AED 108,657 thousand), other post-employment benefits of AED 1,072,969 thousand (2017: AED 1,082,002 thousand) and employee profit share scheme expense of AED 93,529 thousand (2017: AED 85,935 thousand).

9 BUSINESS COMBINATIONS

a) Acquisition of Qantas Catering Group Limited

During the current year, the Group acquired a 100% ownership of Snap Fresh Pty Limited and Qantas Catering Group Limited, which are together referred to as the Qantas Catering business ("Qantas Catering"), whose primary business is to prepare in-flight meals mainly for Qantas and few other airlines and provide airline catering logistics in Australia.

The Group recorded the fair value of the assets and liabilities of Qantas Catering at the date of acquisition, as summarised below:

	Fair value AED'000
Property, plant and equipment	146,882
Intangible assets	55,909
Deferred tax assets	27,528
Trade and other receivables	147,521
Employees' end of service benefits	(41,721)
Deferred tax liabilities	(11,394)
Trade and other payables	(128,637)
Fair value of the net assets acquired	**196,088**
Goodwill	**205,494**
Purchase consideration (see below)	**401,582**

9 BUSINESS COMBINATIONS (continued)

a) Acquisition of Qantas Catering Group Limited (continued)

	AED'000
Consideration paid	380,013
Deferred consideration	21,569
Total purchase consideration	**401,582**

	AED'000
Analysis of cash flow on acquisition:	
Consideration paid	(380,013)
Net cash outflow on acquisition	**(380,013)**

Costs of acquisition are included within general, administrative and other expenses in the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired business.

The acquired entity contributed revenue of AED 180,475 thousand and its share of results were not significant to the Group from the acquisition date to 31 December 2018. If the acquisition had taken place at the beginning of the year, Qantas Catering's contribution to the Group's revenue and the Group's profit would have been AED 1,089,695 thousand and AED 20,017 thousand respectively.

b) Additional stake in Kerzner International Holdings Limited

During the current year, the Group acquired an additional stake in one of its subsidiaries, Kerzner International Holdings Limited for AED 599,760 thousand (2017: AED 887,145 thousand), thus increasing its ownership from 87.69% to 99.99% (2017: increasing its ownership from 69.47% to 87.69%). As a result, AED 244,685 thousand (2017: AED 349,764 thousand) of non-controlling interests acquired by the Group were transferred from "non-controlling interests" to "equity attributable to the equity holder of ICD" and classified as "change in Group's ownership in existing subsidiaries" in the consolidated statement of changes in equity.

c) Acquisition of ALEC Engineering & Contracting LLC

During 2017, the Group acquired 90% of the shares in ALEC Engineering & Contracting LLC ("ALEC").

The principal activity of ALEC is to engage in engineering and construction contracting.

	Fair value AED'000
Fair value of the net assets acquired at the date of acquisition	**418,661**
Less: Fair value of non-controlling interests	(43,506)
Group's share of net assets acquired	**375,155**
Goodwill	636,510
Purchase consideration (see below)	**1,011,665**

9 BUSINESS COMBINATIONS (continued)

c) Acquisition of ALEC Engineering & Contracting LLC (continued)

	AED'000
Consideration paid	921,665
Deferred consideration	90,000
Total purchase consideration	**1,011,665**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	519,096
Consideration paid	(921,665)
Net cash outflow on acquisition	**(402,569)**

d) Acquisition of AWAS

During 2017, the Group acquired 100% ownership of AWAS Aviation Capital Designated Activity Company ("AWAS"), whose primary business is the leasing of commercial aircraft.

	Fair value *AED'000*
Fair value of the net assets acquired at the date of acquisition	**8,002,133**
Goodwill	168,392
Purchase consideration	**8,170,525**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	1,673,665
Consideration paid	(8,170,525)
Net cash outflow on acquisition	**(6,496,860)**

e) Additional stake in Dubai Aerospace Enterprise (DAE) Limited

During 2017, the Group further invested in DAE's share capital, thus increasing its ownership from 80.53% to 95.74%. As a result, AED 713,244 thousand of non-controlling interests acquired by the Group were transferred from "non-controlling interests" to "equity attributable to the equity holder of ICD" and classified as "change in Group's ownership in existing subsidiaries" in the consolidated statement of changes in equity.

f) The Group acquired or incorporated a number of other immaterial subsidiaries during the current year. Moreover, during the current year the Group's shareholding in a number of subsidiaries changed and individually these had no significant impact on the Group.

g) On 2 April 2019, Emirates NBD PJSC entered into a revised sale purchase agreement with Sberbank of Russia to acquire its 99.85% stake in Denizbank A.S., a financial institution headquartered in Turkey. The transaction is expected to complete by end of Q2 2019, subject to obtaining necessary regulatory approvals.

10 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2018	39,894,436	7,148,964	28,574,662	18,520,336	145,154,024	13,727,918	253,020,340
Transfers from investment properties (see note 12)	-	911	-	-	-	-	911
Transfers from development properties (see note 13)	13,675	-	676	-	-	-	14,351
Transfers to assets held-for-sale	-	-	-	-	(5,239,532)	(55,460)	(5,294,992)
Other transfers	1,536,901	166,142	578,957	-	17,178,497	(19,460,497)	-
Additions during the year	1,018,719	523,990	4,370,384	1,308,442	4,169,347	16,847,871	28,238,753
Acquired on business combination	365,853	58,163	159,629	-	-	108,444	692,089
Disposals during the year	(450,649)	(380,014)	(2,160,990)	-	(3,792,294)	(71,240)	(6,855,187)
Write-off during the year	(2,632)	(1,841)	(13,087)	-	(182,960)	-	(200,520)
Translation differences	(111,852)	(67,709)	(136,897)	-	(396)	(3,384)	(320,238)
At 31 December 2018	**42,264,451**	**7,448,606**	**31,373,334**	**19,828,778**	**157,286,686**	**11,093,652**	**269,295,507**
Accumulated depreciation and impairment:							
Balance at 1 January 2018	11,168,922	5,359,274	15,958,073	11,083,443	36,524,417	1,731	80,095,860
Depreciation and impairment charge for the year (see note 8)	1,558,825	687,699	3,859,428	1,159,007	7,980,478	4,461	15,249,898
Acquired on business combination	51,263	43,901	42,658	-	-	-	137,822
Transfers to assets held-for-sale	-	-	-	-	(1,043,939)	-	(1,043,939)
Relating to disposals during the year	(438,916)	(370,327)	(2,001,745)	-	(1,304,253)	(544)	(4,115,785)
Relating to write-off during the year	(2,508)	(1,808)	(14,275)	-	(24,376)	-	(42,967)
Translation differences	(54,740)	(42,946)	(63,885)	-	(392)	-	(161,963)
Other transfers	117	(15,699)	15,582	-	-	-	-
At 31 December 2018	**12,282,963**	**5,660,094**	**17,795,836**	**12,242,450**	**42,131,935**	**5,648**	**90,118,926**
Net book value:							
At 31 December 2018	**29,981,488**	**1,788,512**	**13,577,498**	**7,586,328**	**115,154,751**	**11,088,004**	**179,176,581**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft, aircraft engines and parts AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
Balance at 1 January 2017	37,340,491	6,559,311	25,736,620	17,037,543	98,124,128	13,955,907	198,754,000
Transfers (to) / from investment properties (see note 12)	(274,715)	116	-	-	-	-	(274,599)
Transfers from development properties (see note 13)	184,652	4,232	48	-	-	-	188,932
Other transfers	1,641,271	202,313	481,237	-	8,619,595	(10,944,416)	-
Additions during the year	998,388	545,399	4,074,067	1,482,793	4,158,472	9,532,877	20,791,996
Acquired on business combinations	260,938	47,518	256,271	-	36,873,836	1,289,098	38,727,661
Disposals during the year	(382,311)	(246,523)	(2,171,624)	-	(2,623,594)	(105,202)	(5,529,254)
Translation differences	125,722	36,598	198,043	-	1,587	(346)	361,604
At 31 December 2017	39,894,436	7,148,964	28,574,662	18,520,336	145,154,024	13,727,918	253,020,340
Accumulated depreciation and impairment:							
Balance at 1 January 2017	9,772,069	4,827,520	14,051,531	9,736,343	22,766,800	1,551	61,155,814
Depreciation and impairment charge for the year (see note 8)	1,456,102	706,790	3,662,571	1,347,101	6,608,291	180	13,781,035
Acquired on business combinations	103,219	28,130	224,475	-	8,549,707	-	8,905,531
Transfer to investment properties (see note 12)	(13,467)	(44)	-	-	-	-	(13,511)
Relating to disposals during the year	(204,055)	(230,614)	(2,063,739)	-	(1,401,794)	-	(3,900,202)
Translation differences	50,967	25,940	88,874	(1)	1,413	-	167,193
Other transfers	4,087	1,552	(5,639)	-	-	-	-
At 31 December 2017	11,168,922	5,359,274	15,958,073	11,083,443	36,524,417	1,731	80,095,860
Net book value:							
At 31 December 2017	28,725,514	1,789,690	12,616,589	7,436,893	108,629,607	13,726,187	172,924,480

10 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

(i) Certain buildings and leasehold improvements that are constructed on plots of land granted by the Government. The Group accounted for these non-monetary government grants at nominal value.

(ii) Certain business premises that are erected on plots of land obtained on a leasehold basis from the Government/third parties. Management believes that the leases are renewable and that the land will be available to the Group on an ongoing basis for the foreseeable future.

(b) The net book value of property, plant and equipment includes AED 56,472,988 thousand (2017: AED 56,890,008 thousand) related to assets held under finance leases. These are provided as security against finance lease liabilities included under borrowings and lease liabilities.

(c) Borrowing costs of AED 295,237 thousand (2017: AED 263,281 thousand) have been capitalised during the year.

(d) Capital work-in-progress mainly includes:

(i) pre-delivery payments of AED 3,628,554 thousand (2017: AED 7,580,446 thousand) in respect of aircraft deliveries.

(ii) amounts relating to the construction of a pipeline, a gas processing plant, berth facilities, a refinery plant and retail sites.

(iii) amounts relating to the construction of hospitality assets.

(e) Aircraft, aircraft engines and parts include aircraft with a carrying value of AED 33,904,962 thousand (2017: AED 33,724,847 thousand) representing those given on operating leases to various operators. It also include a carrying value of AED 2,777,249 thousand (2017: AED 3,833,257 thousand) representing maintenance right assets.

(f) Plant, machinery equipment and vehicles include a refinery plant in Jebel Ali constructed by a Group subsidiary on leasehold land granted at a nominal lease rent from the Government. The lease is initially for a period of 15 years and can be renewed for a further period of 15 years.

During the year, based on market conditions and changes in business environment, an impairment assessment has been carried out in relation to the Jebel Ali refinery plant. The recoverable amount of the Jebel Ali refinery plant was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of the refinery plant.

The key assumptions used in the estimation of the recoverable amount are as follows:

Discount rate	8.98%
Production in barrels	202,825 bopd
Years of forecast	5 years
Extended forecast period	up to economic useful life of refinery

The cash flow projections included specific estimates for five years. It was extended further using normalised cost and income assumptions without any impact of inflation. Further, first five year of projections were discounted using the nominal discount rate and extended years' cash flow were discounted using real discount rate (nominal minus the long-term inflation).

Based on the assessment, the Group did not record any impairment loss in the current year as the recoverable amount in higher than the carrying value as at the reporting date.

Management has identified that a reasonably possible change in three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the changes required in these three assumptions for the estimated recoverable amount to be equal to the carrying amount.

Discount rate	Increase by 2.62%
Production capacity	Decrease by 18%
Gross margin	Decrease by 12%

11 INTANGIBLE ASSETS

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2018	11,618,158	12,995,866	1,269,891	2,371,530	1,576,250	2,890,998	291,487	33,014,180
Additions during the year	-	-	310	87,595	191,600	11	476,136	755,652
Acquired on business combination	-	351,947	41,070	27,194	-	3,594	-	423,805
Disposals during the year	-	-	-	(9,421)	(39,375)	(258)	-	(49,054)
Write-off during the year	-	-	(158,121)	(5,821)	-	-	-	(163,942)
Other transfers	-	-	-	258,961	-	-	(258,961)	-
Translation differences	(6,703)	(114,104)	(23,110)	(8,338)	(397)	(22,032)	2,965	(171,719)
At 31 December 2018	**11,611,455**	**13,233,709**	**1,130,040**	**2,721,700**	**1,728,078**	**2,872,313**	**511,627**	**33,808,922**
Accumulated amortisation and impairment:								
Balance at 1 January 2018	2,531,449	184,886	660,997	1,472,136	916,575	831,729	-	6,597,772
Impairment and amortisation charge for the year (see note 8)	401,699	67,086	127,251	290,718	19,667	84,876	-	991,297
Acquired on business combination	-	-	-	6,052	-	-	-	6,052
Relating to disposals during the year	-	-	-	(4,475)	(492)	(4,484)	-	(9,451)
Relating to write-off during the year	-	-	(158,117)	(5,821)	-	-	-	(163,938)
Translation differences	(4,532)	(7,104)	(14,488)	(5,122)	(166)	(13,977)	-	(45,389)
At 31 December 2018	**2,928,616**	**244,868**	**615,643**	**1,753,488**	**935,584**	**898,144**	**-**	**7,376,343**
Net book value:								
At 31 December 2018	**8,682,839**	**12,988,841**	**514,397**	**968,212**	**792,494**	**1,974,169**	**511,627**	**26,432,579**

11 INTANGIBLE ASSETS (continued)

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and order backlog AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands, trade names and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2017	11,684,838	12,000,303	1,069,622	2,039,404	1,508,213	2,735,974	327,260	31,365,614
Additions during the year	-	-	15,350	78,248	214,911	-	288,010	596,519
Acquired on business combinations	-	825,515	148,076	-	-	104,157	-	1,077,748
Disposals during the year	-	-	-	(94,874)	(152,660)	(275)	-	(247,809)
Other transfers	-	-	-	323,792	-	-	(323,792)	-
Translation differences	(66,680)	170,048	36,843	24,960	5,786	51,142	9	222,108
At 31 December 2017	11,618,158	12,995,866	1,269,891	2,371,530	1,576,250	2,890,998	291,487	33,014,180
Accumulated amortisation and impairment:								
Balance at 1 January 2017	2,113,791	172,635	530,209	1,286,537	867,254	668,817	-	5,639,243
Impairment and amortisation charge for the year (see note 8)	407,714	-	103,622	251,970	48,863	129,415	-	941,584
Relating to disposals during the year	-	-	-	(77,142)	-	(264)	-	(77,406)
Translation differences	9,944	12,251	27,166	10,771	458	33,761	-	94,351
At 31 December 2017	2,531,449	184,886	660,997	1,472,136	916,575	831,729	-	6,597,772
Net book value:								
At 31 December 2017	9,086,709	12,810,980	608,894	899,394	659,675	2,059,269	291,487	26,416,408

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets
A significant proportion of goodwill and other intangible assets with indefinite useful lives as at 31 December 2018 relates to Emirates NBD PJSC, Emirates, dnata, Borse Dubai Limited, Smartstream Technologies Holding Investments Limited and Binaa Dubai LLC. The significant assumptions used by management in carrying out the impairment testing of such assets are as follows:

(a) Emirates NBD PJSC
The goodwill arising on business combinations is reviewed annually for impairment by comparing the recoverable amount, based on value-in-use calculations for CGUs to which goodwill has been allocated, with their carrying value.

The goodwill has been allocated to the following four CGUs:

- Corporate banking
- Consumer banking
- Treasury
- Emirates NBD Egypt S.A.E

Key assumptions used in the impairment test on goodwill
The recoverable amount of the CGUs has been determined based on a value-in-use calculation, using cash flow projections covering a five-year period and applying a terminal growth rate thereafter.

The calculation of the value-in-use in the CGUs is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share during the projection period;
- Projected growth rates used to extrapolate cash flows beyond the projection period;
- Current local Gross Domestic Product (“GDP”); and
- Local inflation rates.

Interest margins
Interest margins are based on prevailing market rates at the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management’s estimate of return on capital employed (“ROCE”) required in each business. This is the benchmark used by management to assess operating performance and evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (“WACC”).

Projected growth rate, GDP and local inflation rates
Assumptions are based on published industry research.

The goodwill allocated to the CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2018***	*2017*
Corporate banking	**3,364**	3,364
Consumer banking	**1,700**	1,700
Treasury	**206**	206
Emirates NBD Egypt S.A.E	**53**	53
	5,323	5,323

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(a) Emirates NBD PJSC (continued)

The recoverable amount of goodwill of CGUs, determined on the basis of a value-in-use calculation, uses cash flow projections covering a five year period, with an appropriate terminal growth rate applied thereafter. The forecasted cash flows have been discounted using the WACC in the jurisdiction where the CGU operates. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount of the CGUs as mentioned in the table below:

CGUs	***One percentage increase in discount rate (AED million)***	***One percentage decrease in terminal growth rate (AED million)***
Corporate Banking	**39,122**	**34,312**
Consumer Banking	**43,895**	**38,497**
Treasury	**7,034**	**6,169**
Emirates NBD Egypt S.A.E	**103**	**55**

(b) Emirates

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the long term terminal growth rates. The key assumptions used in the value in-use calculations include a risk adjusted pre-tax discount rate of 12% (2017: 12%), gross margins consistent with historical trends and growth rates based on management’s expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs operate. Any reasonably possible change to the assumptions will not lead to an impairment. The goodwill allocated to the CGUs or group of CGUs are as follows:

	Goodwill (AED million)	
CGUs	***2018***	*2017*
Catering operations	**369**	369
Consumer goods	**212**	212
Food and beverage	**28**	28
	609	609

(c) dnata

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs or group of CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three years. Cash flows beyond such period have been extrapolated using the terminal growth rates in range of 1.5% to 3% (2017: 1.5% to 4%). The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate in range of 6% to 16% (2017: 6% to 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs or group of CGUs operate. The goodwill allocated to CGUs or group of CGUs and the key assumptions used in the value-in-use calculations are as follows:

11 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(c) dnata (continued)

CGUs	***Goodwill (AED million)*** 2018	2017
	2018	*2017*
Airport operations	**801**	801
In-flight catering group	**720**	500
Online travel services	**433**	457
Travel services	**230**	178
Others	**-**	65
	2,184	2,001

The recoverable value of CGUs or group of CGUs would not fall below their carrying amount with a 5% reduction in the gross margin, a 1% reduction in the terminal growth rate or a 1% increase in the discount rate.

(d) Borse Dubai Limited

Goodwill relating to Borse Dubai Limited has a carrying value of AED 2,883 million (2017: AED 2,883 million). Management allocates the entire goodwill to Dubai Financial Market PJSC ("DFM"), a subsidiary of Borse Dubai Limited.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a period to December 2023. Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum. The key assumptions used in the value-in-use calculation also include a discount rate of 10.92% per annum. Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

A decrease in budgeted EBITDA growth rate by 0.5% and increase in the discount rate by 0.1% could cause the carrying amount to exceed the recoverable amount.

(e) Smartstream Technologies Holding Investments Limited ("SSTHIL")

The goodwill relating to SSTHIL (the parent of D-Clear Europe Limited) has a carrying value of AED 566 million (2017: AED 599 million). Management allocates the entire goodwill to Smartstream Technologies Group Limited, an indirect subsidiary of SSTHIL.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a period to December 2022. Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum (2017: 2% per annum). The key assumptions used in the value-in-use calculation also include a pre-tax discount rate of 10.2% per annum (2017: 10.2% per annum). Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

The recoverable value of the CGU would not fall below its carrying amount with a reduction in the terminal growth rate to 0.5% or an increase in the discount rate by 1%.

(f) Binaa Dubai LLC

The goodwill relating to Binaa Dubai LLC has a carrying value of AED 648 million (2017: AED 635 million). Management allocates the entire goodwill to ALEC, a subsidiary of Binaa Dubai LLC. The recoverable amount of the ALEC goodwill is determined on the basis of fair value less costs of disposal calculation using relevant observable market multiples derived from comparable businesses. Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2018.

12 INVESTMENT PROPERTIES

	2018	*2017*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**19,889,102**	18,024,702
Additions during the year	**3,827,011**	2,294,301
Assets acquired on business combination	**393,514**	-
Transfers (to) / from property, plant and equipment (see note 10)	**(911)**	274,599
Transfers from inventories	**-**	127,437
Transfers from development properties (see note 13)	-	42,301
Transferred from / (to) the Government – net (see note 23)	**19,857**	(799,405)
Disposals / transfers during the year	**(165,880)**	(107,776)
Write-off during the year	**(8,286)**	-
Translation difference	**12,802**	32,943
At 31 December	**23,967,209**	19,889,102
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**3,229,129**	2,728,039
Depreciation and impairment charge for the year (see note 8)	**761,627**	487,211
Assets acquired on business combination	**182,819**	-
Transfers from property, plant and equipment (see note 10)	**-**	13,511
Relating to disposals during the year	**(1,332)**	-
Relating to write-off during the year	**(2,593)**	-
Translation difference	**17,485**	368
At 31 December	**4,187,135**	3,229,129
Net book value:		
At 31 December	**19,780,074**	16,659,973

The fair value of investment properties as at the year-end has been determined internally by management or through third party valuations. As a result, impairment of AED 511,378 thousand has been recorded during the year ended 31 December 2018 (2017: AED 273,800 thousand). The fair value measurement of investment properties has been categorised as a level 3 fair value based on the valuation techniques inputs used. Any significant movement in the assumptions used for these fair valuations such as discount rates, yield, rental growth and vacancy rate, is expected to result in a significantly lower or higher fair value of those assets.

13 DEVELOPMENT PROPERTIES

	2018	*2017*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**1,263,872**	714,226
Additions during the year	**1,421,694**	780,879
Transfers to property, plant and equipment (see note 10)	**(14,351)**	(188,932)
Transfers to investment properties (see note 12)	**-**	(42,301)
Transfer to inventories	**(86,855)**	-
Transfer to cost of sales	**(5,714)**	-
At 31 December	**2,578,646**	1,263,872
Accumulated impairment:		
Balance at the beginning of the year	**41,458**	41,458
Impairment charge during the year (see note 8)	**661**	-
At 31 December	**42,119**	41,458
Net book value:		
At 31 December	**2,536,527**	1,222,414

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2018 ***AED'000***	*2017* *AED'000*
Investments in associates	**30,579,721**	28,444,564
Investments in joint ventures	**22,414,192**	18,857,563
	52,993,913	47,302,127

The movement in investments in associates and joint ventures during the year is as follows:

	2018 ***AED'000***	*2017* *AED'000*
Balance at the beginning of the year	**47,302,127**	42,682,863
Impact on adoption of IFRS 9	**(334,420)**	-
Impact on adoption of IFRS 15	**1,702,030**	-
Restated balance at the beginning of the year	**48,669,737**	42,682,863
Investments made during the year (see notes (a) and (b))	**4,621,735**	352,983
Share of results of associates and joint ventures - net	**4,727,224**	5,059,384
Dividends received	**(2,532,299)**	(1,773,666)
Arising from business combinations	**-**	8,572
Disposals during the year	**(1,524,223)**	(230,137)
Change in Group's ownership in a subsidiary of an associate (see note (c))	**-**	1,040,424
Amounts recognised directly in equity - net		
- Translation difference	**(481,523)**	238,692
- Cumulative changes in fair value	**(79,242)**	119,762
- Actuarial gain on defined benefit plans	**19,521**	21,791
- Upon demerger completion by an associate of the Group	**(225,599)**	-
- Others	**(201,418)**	(218,541)
At 31 December	**52,993,913**	47,302,127

a) During the current year, the Group subscribed to right shares of AED 1,459,466 thousand (2017: AED Nil) issued by one of its associates.

b) During the current year, the Group converted an outstanding loan to a joint venture of AED 2,693,018 thousand (2017: AED Nil) into an investment in a joint venture.

c) During the prior year, an associate of the Group sold 800,000,000 shares (face value of AED 1 per share) of one of its subsidiaries, Emaar Development LLC ("ED LLC"), representing 20% of the associate's investment in ED LLC, through a secondary offering of shares in an Initial Public Offering ("IPO") and raised AED 4,824,000 thousand. The Group's share of profit on the sale of ED LLC's shares was AED 1,040,424 thousand which was directly recognised in the Group's retained earnings.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

d) The following table summarises the statement of financial position of the Group's material associates and a joint venture:

31 December 2018

	Emaar Properties PJSC** AED'000	***Dubai Islamic Bank PJSC** AED'000***	***Nasdaq Inc.** AED'000***	***Emirates Global Aluminium PJSC* AED'000***
Total assets	111,956,067	223,415,074	58,458,225	63,983,528
Total liabilities	(54,630,557)	(189,555,415)	(37,290,225)	(31,363,488)
Net assets	**57,325,510**	**33,859,659**	**21,168,000**	**32,620,040**
Group's share of net assets	**13,344,665**	**6,828,747**	**3,814,650**	**16,310,020**

31 December 2017

	*Emaar Properties PJSC** AED'000*	*Dubai Islamic Bank PJSC** AED'000*	*Nasdaq Inc.** AED'000*	*Emirates Global Aluminium PJSC* AED'000*
Total assets	120,062,925	207,069,924	58,774,275	64,626,483
Total liabilities	(70,088,099)	(178,456,491)	(35,985,600)	(38,728,179)
Net assets	49,974,826	28,613,433	22,788,675	25,898,304
Group's share of net assets	11,636,877	5,776,536	4,054,106	12,949,152

* The difference between the Group's carrying value of its investment in the joint venture and the Group's share of net assets of joint venture predominantly relates to the difference between the carrying value of net assets and its fair value at the time of acquisition of this joint venture.

** The difference between the Group's carrying value of its investment in these associates and the Group's share of net assets of these associates, where applicable, predominantly relates to goodwill and intangible assets included in the Group's carrying value of these associates.

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and joint ventures:

Year ended 31 December 2018

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Revenue	25,694,324	11,729,762	9,301,425	23,371,782
Profit for the year attributable to the equity holder	**6,108,039**	**4,438,823**	**1,690,500**	**1,170,124**
Other comprehensive (loss) / income for the year	(707,674)	(801,785)	(922,425)	165,573
Total comprehensive income for the year	**5,400,365**	**3,637,038**	**768,075**	**1,335,697**

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and a joint venture, before Group level adjustments: (continued)

Year ended 31 December 2018

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Group's share of total comprehensive income for the year	**1,484,857**	**1,060,258**	**138,581**	**667,848**
Dividend paid to the Group during the year	**1,102,419**	**658,525**	**186,054**	**-**

Year ended 31 December 2017

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq Inc. AED'000*	*Emirates Global Aluminium PJSC AED'000*
Revenue	14,024,052	10,198,785	8,886,150	20,468,327
Profit for the year attributable to the equity holder	3,800,437	3,844,705	2,690,100	3,064,213
Other comprehensive income / (loss) for the year	783,903	114,408	429,975	(74,511)
Total comprehensive income for the year	4,584,340	3,959,113	3,120,075	2,989,702
Group's share of total comprehensive income for the year	1,260,487	1,170,173	555,061	1,494,851
Dividend paid to the Group during the year	295,291	678,628	159,789	-

f) The following table summarises the Group's share of results in individually immaterial associates and joint ventures for the year:

	2018 AED'000	*2017 AED'000*
Profit for the year	**958,939**	980,398
Other comprehensive (loss) / income for the year	**(35,678)**	50,146
Group's share of total comprehensive income for the year	**923,261**	1,030,544
Carrying amount of the Group's interest	**9,841,825**	10,190,419

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

g) The market values, as at 31 December, of the Group's interest held in various associates whose securities are quoted, are as follows:

	2018 ***AED'000***	*2017* *AED'000*
Emaar Properties PJSC	**8,130,342**	13,662,123
Dubai Islamic Bank PJSC	**9,346,780**	8,666,461
Commercial Bank of Dubai PSC	**2,242,187**	2,298,242
Nasdaq Inc.	**8,820,000**	8,452,500

The carrying value of the above associates is AED 27,705,878 thousand (2017: AED 24,998,767 thousand).

The investments in associates and joint ventures of the Group have been tested for impairment on an individual basis. Based on such assessment, no impairment loss is required for the years ended 31 December 2018 and 31 December 2017.

15 INVESTMENT SECURITIES

	2018 ***AED'000***	*2017* *AED'000*
Measured at FVOCI		
Equities – quoted	**2,972,218**	-
Equities – unquoted	**32,368**	-
Sovereign bonds	**571,900**	-
Corporate bonds	**2,330,771**	-
Others	**760,614**	-
	6,667,871	-
Measured / held at FVTPL		
Equities	**2,710,759**	327,126
Hybrid instruments	**-**	377,957
Sovereign bonds	**2,557,178**	2,010,393
Corporate bonds	**2,085,588**	1,926,233
Others	**810,227**	17,217
	8,163,752	4,658,926
Measured at amortised cost		
Sovereign bonds	**11,436,562**	-
Corporate bonds	**3,287,031**	-
	14,723,593	-
Available-for-sale investments		
Equities – quoted	**-**	5,468,486
Equities – unquoted	**-**	1,880,612
Sovereign bonds	**-**	9,256,205
Corporate bonds	**-**	5,189,522
Others	**-**	887,178
	-	22,682,003

15 INVESTMENT SECURITIES (continued)

	2018 ***AED'000***	*2017* *AED'000*
Held-to-maturity investments		
Corporate bonds	**-**	756,149
Sovereign bonds	**-**	1,129,751
Others	**-**	70,277
	-	1,956,177
Total investment securities	**29,555,216**	29,297,106

	2018 ***AED'000***	*2017* *AED'000*
Disclosed as follows:		
Non-current assets	**24,432,482**	23,545,069
Current assets	**5,122,734**	5,752,037
	29,555,216	29,297,106

As at year end, investment securities and derivative instruments measured at fair value are categorised as follows:

31 December 2018

	Total ***AED'000***	***Level 1*** ***AED'000***	***Level 2*** ***AED'000***	***Level 3*** ***AED'000***
Measured at FVOCI	**6,667,871**	**5,826,588**	**658,091**	**183,192**
Measured at FVTPL	**8,163,752**	**6,044,063**	**81,064**	**2,038,625**
Derivative financial instruments - net (see note 28)	**429,603**	**387,393**	**(68,224)**	**110,434**
	15,261,226	**12,258,044**	**670,931**	**2,332,251**

31 December 2017

	Total *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
Available-for-sale investments	22,682,003	19,786,177	838,868	2,056,958
Held at FVTPL	4,658,926	4,131,490	52,635	474,801
Derivative financial instruments - net (see note 28)	405,125	(364,376)	522,392	247,109
	27,746,054	23,553,291	1,413,895	2,778,868

During the current or prior year, there have been no transfers between Level 1 and Level 2 of the fair value hierarchy.

15 INVESTMENT SECURITIES (continued)

The following table shows a reconciliation of the opening and closing amounts of investments classified within Level 3 of the fair value hierarchy:

	2018 AED'000	*2017 AED'000*
Balance at the beginning of the year	**2,778,868**	2,815,619
Impact on adoption of IFRS 9	**(32,195)**	-
Restated balance at the beginning of the year	**2,746,673**	2,815,619
Investments made during the year	**780,365**	580,689
Settlements / disposals of investment during the year	**(924,162)**	(505,572)
Net fair value movement during the year	**(334,030)**	(117,553)
Net transfers into Level 3 (from level 1 and 2)	**63,405**	5,685
At 31 December	**2,332,251**	2,778,868

The table below shows the classification of investment securities as per their external ratings:

31 December 2018	***Measured at FVTPL AED'000***	***Measured at FVOCI AED'000***	***Measured at amortised cost AED'000***	***Total AED'000***
Ratings				
AAA	**289,664**	**-**	**668,851**	**958,515**
AA- to AA+	**1,059,112**	**54,530**	**5,826,992**	**6,940,634**
A- to A+	**1,166,253**	**2,415,112**	**3,209,957**	**6,791,322**
Lower than A-	**2,552,922**	**1,886,770**	**4,340,656**	**8,780,348**
Unrated	**3,095,801**	**2,311,459**	**677,137**	**6,084,397**
Total	**8,163,752**	**6,667,871**	**14,723,593**	**29,555,216**

31 December 2017	*Held at FVTPL AED'000*	*Available-for-sale investments AED'000*	*Held-to-maturity investment AED'000*	*Total AED'000*
Ratings				
AAA	-	14,503	-	14,503
AA- to AA+	691,623	5,843,378	10,524	6,545,525
A- to A+	1,448,688	4,772,570	5,653	6,226,911
Lower than A-	873,368	6,414,307	1,632,152	8,919,827
Unrated	1,645,247	5,637,245	307,848	7,590,340
Total	4,658,926	22,682,003	1,956,177	29,297,106

The allowance for impairment on investment securities as at 31 December 2018 amounts to AED 39,118 thousand.

16 OTHER NON-CURRENT ASSETS

	2018 ***AED'000***	*2017* *AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 16.1 and 35 (b))	**7,095,635**	9,131,166
Loans to / receivables from associates and joint ventures (see notes 35(b) and 14 (b))	**68,423**	3,849,787
Advance lease rentals (see note 16.2)	**4,813,115**	5,252,629
Lease acquisition cost and finance lease receivables	**986,146**	1,191,806
Long term retentions	**310,074**	410,779
Other receivables	**2,868,084**	2,063,617
	16,141,477	21,899,784
Less: provision for impairment (see note 16.3)	**(58,220)**	(54,875)
	16,083,257	21,844,909

16.1 A Group subsidiary was required historically to provide retail gasoline at a fixed price in the UAE. During the year 2015, the UAE Ministry of Energy announced a new pricing policy linked to global oil prices. Since 1 August 2015, the prices of retail gasoline and diesel are set based on the average of international fuel price trackers and an addition of a margin for distribution companies.

Included in the amounts receivable from the Government, MOF and other related parties is an amount of AED 5,968,053 thousand (2017: AED 7,805,553 thousand) due from the Government representing a receivable in respect of such cost overruns.

The outstanding receivable is subject to interest at the rate of EIBOR plus margin.

16.2 Movement in advance lease rentals:

	2018 ***AED'000***	*2017* *AED'000*
Balance at the beginning of the year	**5,840,722**	4,814,529
Additions during the year	**175,444**	1,537,658
Charge for the year (see note 8)	**(600,348)**	(513,063)
Translation differences - net	**(211)**	1,598
At 31 December	**5,415,607**	5,840,722

Advance lease rentals are reflected in the consolidated statement of financial position as follows:

	2018 ***AED'000***	*2017* *AED'000*
Within one year – current portion (see note 18)	**602,492**	588,093
After one year – non-current portion	**4,813,115**	5,252,629
	5,415,607	5,840,722

Advance lease rentals are non - refundable in the event that such a lease is terminated prior to its expiry.

16 OTHER NON-CURRENT ASSETS (continued)

16.3 Movements in allowance for impairment during the year are as follows:

	2018 AED'000	*2017 AED'000*
Balance at the beginning of the year	**54,875**	61,773
Allowance for impairment made during the year (see note 4)	**10,020**	-
Reversal of impairment during the year - net of recoveries (see note 4)	**-**	(3,720)
Amounts written-off during the year	**(5,417)**	(8,430)
Translation differences - net	**(1,258)**	5,252
At 31 December	**58,220**	54,875

Majority of other non-current assets as at the reporting date is neither past due nor impaired.

17 INVENTORIES

	2018 AED'000	*2017 AED'000*
Finished goods / inventory properties	**5,832,972**	5,391,341
Raw materials	**2,660,709**	1,165,291
Spare parts and consumables	**1,806,645**	1,430,872
Engineering	**531,729**	546,700
Goods in-transit	**766,868**	1,911,712
Consumer goods	**668,296**	498,292
Others	**388,408**	286,060
	12,655,627	11,230,268
Less: provision for slow moving and obsolete inventories	**(1,326,256)**	(144,993)
	11,329,371	11,085,275

18 TRADE AND OTHER RECEIVABLES

	2018 AED'000	*2017 AED'000*
Trade receivables	**15,808,102**	17,759,906
Prepayments and other receivables	**10,653,926**	10,488,287
Amounts receivable from Government, MOF and other related parties (see note 35(b))	**1,751,280**	1,605,314
Accrued interest receivable	**2,643,263**	1,907,066
Contract receivables	**1,511,584**	1,608,231
Loan receivables (non-banking operations)	**160,888**	184,676
Retention receivables - current portion	**431,618**	422,764
Amounts receivable from associates and joint ventures (see note 35(b))	**1,214,437**	1,145,339
Advance to suppliers	**973,427**	754,088
Advance lease rentals (see note 16.2)	**602,492**	588,093
Operating lease deposits	**462,946**	599,294
Lease acquisition costs	**136,063**	98,170
Finance lease receivables	**40,300**	63,155
	36,390,326	37,224,383
Less: allowance for impairment (see note below)	**(1,542,246)**	(1,371,663)
	34,848,080	35,852,720

18 TRADE AND OTHER RECEIVABLES (continued)

Movements in allowance for impairment of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables during the year are as follows:

	2018 AED'000	*2017 AED'000*
Balance at the beginning of the year	**1,371,663**	1,374,899
Impact on adoption of IFRS 9	**142,191**	-
Restated balance at the beginning of the year	**1,513,854**	1,374,899
Allowance for impairment made during the year (see note 4)	**338,985**	308,825
Amounts written-off during the year	**(225,458)**	(125,400)
Reversal of impairment during the year - net of recoveries (see note 4)	**(98,913)**	(242,442)
Arising on business combinations	**2,092**	105
On disposal of a subsidiary	**(3,822)**	-
Translation differences	**15,508**	55,676
At 31 December	**1,542,246**	1,371,663

The credit quality of trade receivables, due from related parties, loan receivables (non-banking operations), retention receivables, contract receivables and finance lease receivables as at the reporting date is as follows:

	2018 AED'000	*2017 AED'000*
Neither past due nor impaired	**16,256,039**	18,152,201
Past due but not impaired		
Past due 1 – 90 days	**2,440,735**	2,463,052
Past due 91 – 365 days	**764,394**	835,453
Past due and impaired	**1,457,041**	1,338,679
Less: Allowance for impairment	**(1,542,246)**	(1,371,663)
	19,375,963	21,417,722

The Group does not have significant credit risk concentration on its trade and other receivables, since they arise from diversified businesses that have a large customer base.

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2018 AED'000	*2017 AED'000*
Murabaha	**33,827,008**	30,591,525
Ijara	**18,888,088**	17,529,473
Wakala	**17,100,166**	16,687,923
Mudaraba	**763,933**	934,321
Istisna'a	**1,972,869**	2,236,457
Credit cards receivable	**1,331,436**	1,203,012
Sukuk	**185,268**	-
Others	**1,937,673**	1,159,520
	76,006,441	70,342,231
Less: Deferred income	**(2,074,625)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(5,897,054)**	(4,941,320)
Net Islamic financing and investment products	**68,034,762**	62,766,036

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 994,333 thousand (2017: AED 997,148 thousand) due from Government, MOF and other related parties and AED 14,587,266 thousand (2017: AED 14,741,147 thousand) due from associates and joint ventures (see note 35(b)).

Corporate Ijara assets of AED 2.3 billion (2017: AED 4.8 billion) and Murabaha assets of AED 1.4 billion (2017: AED 2.2 billion) in Emirates NBD PJSC and its subsidiaries (together defined as the "Bank") were securitised for the purpose of the issuance of a Sukuk instrument (see note 27(d)).

	2018 ***AED'000***	*2017* *AED'000*
Analysis by economic activity:		
Services and personal loans	**27,950,376**	27,247,731
Construction and real estate	**10,096,117**	11,456,082
Trade	**7,971,047**	6,349,359
Financial services	**22,202,716**	19,667,476
Transport and communication	**390,755**	622,002
Manufacturing	**2,371,589**	1,691,366
Others	**5,023,841**	3,308,215
	76,006,441	70,342,231
Less: Deferred income	**(2,074,625)**	(2,634,875)
Less: Allowance for impairment (see note below)	**(5,897,054)**	(4,941,320)
Net Islamic financing and investment products	**68,034,762**	62,766,036
Disclosed as follows:		
Non-current assets	**24,016,824**	27,795,434
Current assets	**44,017,938**	34,970,602
Net Islamic financing and investment products	**68,034,762**	62,766,036

19.1 The following table sets out information about the credit quality of Islamic financing and investment products at 31 December 2018:

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***
Gross carrying value:				
Performing	64,999,046	3,526,137	-	68,525,183
Non-performing	-	-	5,406,633	5,406,633
Gross carrying value at 31 December 2018	**64,999,046**	**3,526,137**	**5,406,633**	**73,931,816**
Less: Allowance for impairment (see notes 19.2 and 20.3)	(1,192,430)	(752,725)	(3,951,899)	(5,897,054)
Net carrying value at 31 December 2018	**63,806,616**	**2,773,412**	**1,454,734**	**68,034,762**

19 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

19.1 The following table sets out information about the credit quality of Islamic financing and investment products at 31 December 2018: (continued)

The ageing of Islamic financing and investment products at 31 December 2017 was as follows:

	2017 *AED'000*
Neither past due nor impaired	58,769,730
Past due but not impaired	
Past due 1 – 90 days	2,535,655
Past due 91 – 365 days	274,902
Past due and impaired	6,127,069
Less: Allowance for impairment	
Specific provision	(4,357,656)
Collective provision	(583,664)
Net carrying value at 31 December 2017	62,766,036

19.2 The following table sets out the movement in the allowance for impairment during the year:

	2018				
	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***	*2017 AED'000*
Balance at the beginning of the year	653,664	-	4,287,656	**4,941,320**	5,050,407
Impact on adoption of IFRS 9	740,478	912,169	13,456	**1,666,103**	-
Restated balance at the beginning of the year	1,394,142	912,169	4,301,112	**6,607,423**	5,050,407
Allowance for impairment made during the year - net of recoveries (see note 4)	(201,699)	(159,444)	925,982	**564,839**	574,927
Amounts written off during the year	-	-	(1,275,439)	**(1,275,439)**	(684,147)
Exchange and other adjustments	(13)	-	244	**231**	133
At 31 December	1,192,430	752,725	3,951,899	**5,897,054**	4,941,320

20 LOANS AND RECEIVABLES

Loans and receivables represent the receivables arising from the banking operations of the Group carried out through the Bank. The details of loans and receivables are as follows:

	2018 AED'000	*2017 AED'000*
Overdrafts	**137,047,799**	124,651,482
Time loans	**139,796,441**	134,706,718
Loans against trust receipts	**9,262,543**	7,779,801
Bills discounted	**2,326,177**	2,596,675
Credit card receivables	**6,397,236**	5,767,317
Others	**500,084**	591,617
	295,330,280	276,093,610
Other debt instruments	**-**	51,357
Less: Allowance for impairment (see note below)	**(21,117,025)**	(20,648,034)
Net loans and receivables	**274,213,255**	255,496,933
Disclosed as follows:		
Non-current assets	**91,576,692**	90,545,706
Current assets	**182,636,563**	164,951,227
Net loans and receivables	**274,213,255**	255,496,933

Loans and receivables include AED 152,340,728 thousand (2017: AED 141,840,943 thousand) due from Government, MOF and other related parties and AED 327,119 thousand (2017: AED 420,953 thousand) due from associates and joint ventures (see note 35(b)).

As at 31 December 2018, corporate loans and receivables of AED 1,044,417 thousand (2017: AED 1,263,970 thousand) have been securitised for the purpose of the issuance of a borrowing under a loan securitisation agreement. The associated liability has been included under "debt issued and other borrowed funds" (see note 27(a)).

	2018 AED'000	*2017 AED'000*
Analysis by segment:		
Corporate banking	**237,656,475**	221,672,020
Consumer banking	**36,556,780**	33,772,980
Treasury	**-**	20,471
Others	**-**	31,462
Net loans and receivables	**274,213,255**	255,496,933
Analysis by economic activity:		
Services (includes financial services)	**18,126,750**	18,388,352
Personal	**39,302,586**	35,315,689
Sovereign	**150,269,100**	139,025,370
Construction and real estate	**42,858,670**	40,830,381
Manufacturing	**5,991,431**	5,601,206
Trade	**17,154,292**	13,895,877
Transport and communication	**1,578,958**	2,355,244
Others	**20,048,493**	20,732,848
Gross loans and receivables	**295,330,280**	276,144,967
Less: Allowance for impairment (see note below)	**(21,117,025)**	(20,648,034)
Net loans and receivables	**274,213,255**	255,496,933

20 LOANS AND RECEIVABLES (continued)

20.1 The following table sets out information about the credit quality of loans and receivables at 31 December 2018:

	2018			
	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*
Gross carrying value:				
Performing	269,998,364	9,409,715	-	279,408,079
Non-performing	-	-	15,922,201	15,922,201
Gross carrying value at 31 December 2018	**269,998,364**	**9,409,715**	**15,922,201**	**295,330,280**
Less: Allowance for impairment (see notes 20.2 and 20.3)	(3,928,737)	(1,639,483)	(15,548,805)	(21,117,025)
Net carrying value at 31 December 2018	**266,069,627**	**7,770,232**	**373,396**	**274,213,255**

The ageing of loans and receivables at 31 December 2017 was as follows:

	2017 AED'000
Neither past due nor impaired	253,075,519
Past due but not impaired	
Past due 1 – 90 days	5,817,039
Past due 91 – 365 days	2,479,463
Past due and impaired	14,772,946
Less: Allowance for impairment	
Specific provision	(13,620,650)
Collective provision	(7,027,384)
Net carrying value at 31 December 2017	255,496,933

20.2 The following table sets out the movement in the allowance for impairment during the year:

	2018				
	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*	*2017 Total AED'000*
Balance at the beginning of the year	7,027,384	-	13,620,650	**20,648,034**	19,593,196
Impact on adoption of IFRS 9	(3,427,381)	1,652,871	2,522,864	**748,354**	-
Restated balance at the beginning of the year	3,600,003	1,652,871	16,143,514	**21,396,388**	19,593,196
Allowance for impairment made during the year - net of recoveries (see note 4)	328,734	(13,388)	1,280,402	**1,595,748**	1,704,447
Amounts written off during the year	-	-	(1,873,405)	**(1,873,405)**	(648,282)
Exchange and other adjustments	-	-	(1,706)	**(1,706)**	(1,327)
At 31 December	3,928,737	1,639,483	15,548,805	**21,117,025**	20,648,034

20.3 This includes ECL on unfunded exposures amounting to AED 505 million in Stage 1 (exposure of AED 81,355 million), AED 20 million in Stage 2 (exposure of AED 3,339 million) and AED 1 million in Stage 3 (exposure of AED 2,228 million). Unfunded exposure includes guarantees, standby letter of credits and undrawn loan commitments.

21 CASH AND DEPOSITS WITH BANKS

	2018 ***AED'000***	*2017* *AED'000*
<u>Banking operations</u>		
Cash and deposits with Central Banks (as defined below)		
Cash	**3,307,930**	3,624,504
Interest bearing placements with Central Banks	**267,718**	1,118,141
Murabahas and interest bearing certificates of deposits with Central Banks	**48,901,963**	35,127,294
Statutory and other deposits with Central Banks	**32,135,965**	31,982,679
Less: Allowance for impairment	**(9,260)**	-
Total (A)	**84,604,316**	71,852,618
Due from other banks		
Overnight, call and short notice	**4,999,649**	11,803,416
Time loans	**35,010,651**	37,943,014
Less: Allowance for impairment	**(103,047)**	(20,295)
Total (B)	**39,907,253**	49,726,135
Total (C = A+B)	**124,511,569**	121,578,753
<u>Non-banking operations</u>		
Cash at banks and in hand	**7,401,900**	8,467,569
Short-term deposits	**16,810,831**	22,773,778
Placements with banks and other financial institutions	**1,314,797**	1,085,874
Less: Allowance for impairment	**(161)**	-
Total (D)	**25,527,367**	32,327,221
Total (C+D)	**150,038,936**	153,905,974
Disclosed as follows:		
Non-current assets	**2,746,014**	1,721,688
Current assets	**147,292,922**	152,184,286
	150,038,936	153,905,974

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents have been computed as explained below:

	2018 ***AED'000***	*2017* *AED'000*
Cash and deposits with banks - current	**147,292,922**	152,184,286
Islamic financing and investment products with original maturity of less than three months (non-banking operations)	**3,066,396**	2,414,740
Due to banks (see note 27)	**(22,339,668)**	(21,311,192)
Bank overdrafts (see note 27)	**(117,302)**	(247,076)
	127,902,348	133,040,758
Due to banks with original maturity of more than three months	**5,879,038**	5,516,743
Deposits with Central Banks for regulatory purposes	**(32,135,965)**	(31,982,679)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(27,300,000)**	(13,119,093)
Due from other banks and deposits with other banks with original maturity of more than three months	**(33,139,283)**	(35,132,543)
Cash and cash equivalents	**41,206,138**	58,323,186

21 CASH AND DEPOSITS WITH BANKS (continued)

Cash and deposits with banks include reserve requirements maintained by the Bank with the Central Bank of the UAE (the "Central Bank") and the various Central banks of countries in which the Bank operates (collectively the "Central Banks"). The reserves placed with the Central Banks are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

Cash and deposits with banks includes AED 3,227,134 thousand (2017: AED 6,354,166 thousand) due from associates, joint ventures, and other related parties (see note 35(b)).

22 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Aircraft held for sale
As at 31 December 2018, a Group subsidiary had entered into agreements for the sale of sixteen aircraft and one forward order which met the criteria of IFRS 5 to be classified as held for sale (2017: agreement for the sale of one aircraft).

23 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government, less returns made by ICD in cash or in kind. The movement in the capital of ICD during the year is as follows:

	2018 AED'000	*2017 AED'000*
Balance at the beginning of the year	**64,530,179**	65,329,584
Freehold land contributed by the Government (see note 23.1)	**1,200,100**	784,480
Capital contribution by the Government	**19,381**	-
Return of capital to the Government (see note 23.2)	**(1,180,243)**	(1,583,885)
At 31 December	**64,569,417**	64,530,179

23.1 This represents a capital contribution in the form of plots of land (classified as Investment properties), which was made by the Government to the Group. The plots of land were transferred at their fair value established using valuations from an independent qualified appraiser.

23.2 During the current year, the Group transferred to the Government a plot of land with a carrying value of AED 1,180,243 thousand (2017: certain plots of land with a carrying value of AED 1,583,885 thousand). This was accounted for as a return of capital.

24 DISTRIBUTIONS TO THE GOVERNMENT

During the year ended 31 December 2018, distributions of AED 6,171,122 thousand (2017: AED 4,284,594 thousand) were made to the Government.

25 OTHER RESERVES

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2018	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(299,042)	(38,294)	13,735,628
Impact on adoption of IFRS 9	(108,328)	-	-	(3,652,836)	(39,396)	-	-	-	-	-	(3,800,560)
Impact on adoption of IFRS 15	-	-	-	-	-	-	-	(222,186)	-	-	(222,186)
Restated balance at 1 January 2018	2,875,471	1,016,791	9,179,312	(911,402)	(990,603)	812,703	5,228	(1,937,282)	(299,042)	(38,294)	9,712,882
Unrealised loss on fair value of investment securities at FVOCI (net)	-	-	-	(850,878)	-	-	-	-	-	-	(850,878)
Unrealised loss on fair value of hedging instruments (net)	-	-	-	-	(58,577)	-	-	-	-	-	(58,577)
Share in other comprehensive (loss) / gain of equity accounted investees (net)	-	-	-	(161,210)	82,041	-	-	(464,416)	-	-	(543,585)
Foreign currency translation differences (net)	-	-	-	-	-	-	-	(250,522)	-	-	(250,522)
Reserves transferred to consolidated income statement	-	-	-	4,290	52,464	-	-	-	-	-	56,754
Other comprehensive (loss) / income during the year	-	-	-	(1,007,798)	75,928	-	-	(714,938)	-	-	(1,646,808)
Transfers from retained earnings (net)	45,059	31,153	-	-	-	167,944	4,301	-	-	-	248,457
Change in Group's ownership in existing subsidiaries	3	-	-	-	(48)	-	-	(5,240)	-	(242)	(5,527)
Transfers upon disposal of equity instruments measured at FVOCI	-	-	-	132,614	-	-	-	-	-	-	132,614
Other movements	4	(43,556)	(2,282)	(11,211)	1	-	-	13	-	69,900	12,869
Total at 31 December 2018	**2,920,537**	**1,004,388**	**9,177,030**	**(1,797,797)**	**(914,722)**	**980,647**	**9,529**	**(2,657,447)**	**(299,042)**	**31,364**	**8,454,487**

25 OTHER RESERVES (continued)

	Legal and Statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cumulative changes in fair value AED'000*	*Hedge reserve AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Treasury shares AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2017	2,864,243	1,422,329	9,179,312	2,800,397	(1,185,106)	655,861	13,180	(2,238,749)	(74,014)	(372,782)	13,064,671
Unrealised loss available-for-sale investments	-	-	-	(49,329)	-	-	-	-	-	-	(49,329)
Unrealised gain on hedging instruments (net)	-	-	-	-	129,581	-	-	-	-	-	129,581
Share in other comprehensive gain of equity accounted investees (net)	-	-	-	106,529	5,406	-	-	238,611	-	-	350,546
Foreign currency translation differences (net)	-	-	-	-	-	-	-	285,021	-	-	285,021
Reserves transferred to consolidated income statement	-	-	-	(116,163)	100,044	-	-	-	-	-	(16,119)
Other comprehensive (loss) / income during the year	-	-	-	(58,963)	235,031	-	-	523,632	-	-	699,700
Transfers from / (to) retained earnings and non-controlling interests (net)	119,555	993	-	-	-	156,842	(7,952)	293	-	1,481	271,212
Change in Group's ownership in existing subsidiaries	-	-	-	-	(1,132)	-	-	(283)	-	110	(1,305)
Purchase of own shares by a subsidiary	-	-	-	-	-	-	-	-	(299,068)	-	(299,068)
Other movements	1	(406,531)	-	-	-	-	-	11	74,040	332,897	418
Total at 31 December 2017	2,983,799	1,016,791	9,179,312	2,741,434	(951,207)	812,703	5,228	(1,715,096)	(299,042)	(38,294)	13,735,628

25 OTHER RESERVES (continued)

Legal and statutory reserve
This mainly includes transfer of 10% of annual profit for the year to a non-distributable legal reserve of various entities in the Group in accordance with the Articles of Association and the UAE Federal Law No. (2) of 2015, as applicable, and such transfers may be discontinued when the reserve equals 50% of the paid up capital of the respective entities incorporated under the UAE Federal Law No. (2) of 2015. The transfer of legal and statutory reserve made in the consolidated statement of changes in equity represents the transfers made by the entities net of reclassification/disposals.

Capital reserve
This represents the Group's share of reserves capitalised by certain subsidiaries of the Group. This reserve is non-distributable.

Merger reserve
Merger reserve includes amounts relating to:

- Borse Dubai Limited
- Emirates NBD PJSC
- Aswaaq LLC
- National Bonds Corporation PJSC

Borse Dubai
In 2007, the Government transferred the ownership of Dubai Financial Market ("DFM") (80% shareholding) and NASDAQ Dubai Limited ("NASDAQ Dubai") (100% shareholding) to Borse Dubai Limited ("Borse Dubai"), without any consideration. This transaction was a common control transaction and accounted for under the pooling of interests method. Since no consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai, the entire amount of issued and paid up share capital of the two entities was recognised as merger reserve in equity in these consolidated financial statements.

Emirates NBD PJSC
In 2007, the merger of Emirates Bank International PJSC and National Bank of Dubai PJSC into Emirates NBD PJSC resulted in the recognition of a merger reserve of AED 3,460,860 thousand.

Aswaaq LLC
In accordance with the Emiri Decree No. 35 of 2011 passed by the Government, a 99% ownership interest in Aswaaq LLC ("Aswaaq"), a limited liability company registered in the Emirate of Dubai on 12 October 2009 under the UAE Commercial Companies Law of 1984 (as amended) was transferred to ICD for a consideration of AED 99,000 thousand. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 91,827 thousand was recognised as merger reserve.

National Bonds Corporation PJSC
During prior years, the shareholders of National Bonds Corporation PJSC other than the Group, transferred their entire shareholding in National Bonds Corporation PJSC to the Group. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 595,639 thousand was recognised as merger reserve.

Cumulative changes in fair value
Cumulative changes in fair value comprises the cumulative net changes in the fair value of investment securities measured at FVOCI (2017: cumulative net change in the fair value of available-for-sale investments) until the investments are derecognised or impaired.

Translation reserve
The translation reserve comprises of foreign currency exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investments in foreign operations.

26 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits recognised in the consolidated statement of financial position are as follows:

	2018	2017
	AED'000	*AED'000*
Balance at beginning of the year	**3,626,749**	3,174,166
Provision made during the year	**1,406,782**	1,311,969
End of service benefits paid	**(1,112,552)**	(1,029,246)
Actuarial (gain) / loss on defined benefit plans	**(52,593)**	36,007
Arising on business combinations	**49,379**	118,360
On disposal of a subsidiary	**(5,075)**	-
Other movements - net	**3,042**	15,493
At 31 December	**3,915,732**	3,626,749
Less: non-current portion	**(3,901,593)**	(3,610,298)
Current portion	**14,139**	16,451

Employees' Pension Scheme

Eligible UAE National employees of the Group are entitled to join the pension scheme operated for UAE National employees by the UAE General Pension and Social Security Authority (the "Pension Authority"). Contributions for the period for eligible UAE National employees made to the Pension Authority, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security, were charged to the consolidated income statement.

Defined benefit obligations

In accordance with the provisions of IAS 19, an exercise to assess the present value of its defined benefit obligations at 31 December is carried out, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 2% - 8% (2017: 2% - 5%) per annum and a discount rate of 1.8% - 4.5% (2017: 1.70% - 4.10%) per annum. The present values of the defined benefit obligations at 31 December were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2018	2017
	AED'000	*AED'000*
Present value of funded defined benefit obligations	**3,740,681**	3,765,142
Less: Fair value of plan assets (see note (i) above)	**(3,369,271)**	(3,418,992)
	371,410	346,150
Present value of unfunded defined benefit obligations	**3,544,322**	3,280,599
Employees' end of service benefits provision (see note above)	**3,915,732**	3,626,749

(i) Funded schemes

Senior employees in certain subsidiaries based mainly in the UAE, participate in a defined benefit provident scheme (the "Fund") to which these subsidiaries contribute a specified percentage of basic salary based upon the employee's grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a regular basis irrespective of the Fund's performance and are not pooled, but are separately identifiable and attributable to each participant. The Fund comprises of a diverse mix of managed funds, and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules that are dependent upon the participating employee's length of service. If at the time when an employee leaves employment, the accumulated vested amount including investment returns is less than the end of service benefits that would have been payable to that employee under relevant local regulations, the Group pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives a defined percentage of their fund balance. Vested assets of the scheme are not available to the Group or its creditors in any circumstances.

26 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes (continued)

Movements in the fair value of the plan assets in respect of the funded schemes are as follows:

	2018 *AED'000*	*2017* *AED'000*
At the beginning of the year	**3,418,992**	2,900,558
Contributions made	**401,210**	388,690
Benefits paid	**(275,055)**	(226,199)
Fair value gain / (loss) - net	**(166,497)**	293,916
Other movements	**(9,379)**	62,027
At 31 December	**3,369,271**	3,418,992

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans, follow relevant local regulations, and are mainly based on the period of cumulative service and the employees' final basic salary level.

27 BORROWINGS AND LEASE LIABILITIES

	Notes	***2018*** *AED'000*	*2017* *AED'000*
Banking operations			
Non-current liabilities			
Debt issued and other borrowed funds	27(a)	**33,739,109**	35,708,378
Due to banks (see note 21)	27(b)	**2,990,194**	998,957
Sukuk payable	27(d)	**3,685,160**	3,690,399
(A)		**40,414,463**	40,397,734
Current liabilities			
Debt issued and other borrowed funds	27(a)	**6,976,121**	4,080,470
Due to banks (see note 21)	27(b)	**19,349,474**	20,312,235
Sukuk payable	27(d)	**-**	1,836,251
(B)		**26,325,595**	26,228,956
Total (A+B)		**66,740,058**	66,626,690
Non-banking operations			
Non-current liabilities			
Bank borrowings	27(c)	**40,631,934**	40,312,279
Bonds (including Sukuk)	27(d)	**23,565,915**	21,939,396
Finance lease liabilities	27(e)	**37,881,348**	35,115,962
Loan from Government, MOF and other related parties (see note 35(b))	27(c)	**9,432,222**	9,438,847
Loans from associates and joint ventures (see note 35(b))	27(c)	**10,443,117**	8,961,525
(C)		**121,954,536**	115,768,009

27 BORROWINGS AND LEASE LIABILITIES (continued)

	Notes	***2018 AED'000***	*2017 AED'000*
Current liabilities			
Bank borrowings	27(c)	**11,427,833**	17,020,448
Bonds (including Sukuk)	27(d)	**8,214,436**	5,557,739
Finance lease liabilities	27(e)	**5,575,770**	9,219,596
Loans from Government, MOF and other related parties (see note 35(b))	27(c)	**957,774**	957,730
Loans from associates and joint ventures (see note 35(b))	27(c)	**464,729**	2,204,391
Bank overdrafts (see note 21)		**117,302**	247,076
(D)		**26,757,844**	35,206,980
Total (C+D)		**148,712,380**	150,974,989
Disclosed as follows:			
Non-current liabilities (A+C)		**162,368,999**	156,165,743
Current liabilities (B+D)		**53,083,439**	61,435,936
Total borrowings and lease liabilities		**215,452,438**	217,601,679

The above interest / profit bearing loans and lease liabilities are denominated in various currencies.

a) Debt issued and other borrowed funds

	2018 AED'000	*2017 AED'000*
Medium-term note programme *	**32,359,770**	32,098,003
Term loans from banks	**7,311,043**	6,426,875
Borrowing raised from loan securitisations (see note 20)	**1,044,417**	1,263,970
	40,715,230	39,788,848

*Includes Tier 2 notes of the Bank amounting to AED 146 million (2017: AED 3,752 million) raised through public and private placements.

The repayment profile of the above liabilities is as follows:

	2018 AED in millions	*2017 AED in millions*
2018	**-**	4,080
2019	**6,976**	13,251
2020	**8,719**	7,203
2021	**10,094**	1,726
2022	**7,816**	7,877
2023	**1,555**	3,679
2024	**348**	529
2025	**710**	160
2026	**159**	125
2027	**743**	755
2028	**1,370**	-
Beyond 2028	**2,225**	404
	40,715	39,789

The interest rate paid on the above averaged 3.53% per annum for the year ended 31 December 2018 (2017: 3.17% per annum).

27 BORROWINGS AND LEASE LIABILITIES (continued)

b) Due to banks

	2018	*2017*
	AED'000	*AED'000*
Demand and call deposits	**2,277,365**	2,178,650
Balances with correspondent banks	**1,611,125**	1,385,690
Time and other deposits	**18,215,472**	17,388,782
Repurchase agreements with banks	**235,706**	358,070
	22,339,668	21,311,192

The interest rates paid on the above averaged 2.11% per annum for the year ended 31 December 2018 (2017: 1.43% per annum).

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties

Included under this category are:

- Conventional syndicated facilities of AED 2,554,125 thousand (2017: AED 2,307,025 thousand which were fully repaid in 2018) repayable in 2023 and carrying a margin over LIBOR.

- Ijara syndicated facilities of AED 1,286,250 thousand (2017: AED 529,344 thousand which were fully repaid in 2018) repayable in 2023 and carrying a margin over LIBOR.

- Bilateral facilities of AED 3,674,500 thousand (2017: AED 3,674,500 thousand) repayable over the period up to 2022 and carrying a margin over EIBOR and LIBOR.

- Secured borrowing facilities of AED 9,846,432 thousand (2017: AED 13,049,428 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR.

- Murabaha and credit facility of AED 3,413,075 thousand (2017: AED 3,288,155 thousand) repayable over the period up to 2033. The facilities consists of AED 303,463 thousand (2017: AED Nil) carrying a fixed rate of interest and AED 3,109,612 thousand (2017: AED 3,288,155 thousand) carrying a margin over LIBOR.

- Term loan facilities of AED 23,018,533 thousand (2017: AED 29,204,906 thousand) repayable from one to twelve years with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The facilities consist of AED 10,568,529 thousand (2017: AED 15,994,505 thousand) carrying a fixed rate of interest and AED 12,450,004 thousand (2017: AED 13,210,401 thousand) carrying a margin over LIBOR, EIBOR or MIDSWAP.

- Term loan facility from the MOF of AED 9,187,500 thousand (2017: AED 9,187,500 thousand), repayable in 2020 and carries a margin over EIBOR.

- Term loan facility of AED 1,441,571 thousand repayable over the period up to 2030 (2017: AED 1,059,030 thousand repayable up to 2029). The facility consists of AED 720,785 thousand (2017: AED 529,515 thousand) carrying a fixed rate of interest and AED 720,786 thousand (2017: AED 529,515 thousand) carrying a margin over LIBOR.

- Term loan facility of AED 9,989,508 thousand, repayable over the period up to 2029 (2017: AED 5,555,383 thousand repayable up to 2030) and carrying a margin over EIBOR and LIBOR.

- Wakala deposit of AED 955,782 thousand from Department of Finance of the Government (2017: AED 955,782 thousand) carrying a fixed rate of profit. The Group had an option to extend the tenor for up to two additional one-year periods after 31 December 2017. Subsequent to the year ended 31 December 2018, the Group exercised the one-year option that extends the maturity date to 31 December 2019.

27 BORROWINGS AND LEASE LIABILITIES (continued)

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties (continued)

- Murabaha facility of AED 3,528,000 thousand (2017: AED 3,528,000 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR.
- Murabaha facility of AED 750,000 thousand (2017: AED 750,000 thousand) repayable in 2021 and carrying a margin over EIBOR.
- Term loan facility of AED 531,170 thousand (2017: AED 528,604 thousand) repayable in 2022 and carrying a margin over LIBOR.
- Syndicated loan facility of AED 477,000 thousand (2017: AED 198,001 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR.
- Islamic and conventional syndicated facilities of AED 1,228,697 thousand (2017: AED 369,702 thousand) repayable by 2025 and carrying a margin over LIBOR and EIBOR.
- Murabaha syndicated facilities of AED 718,519 thousand as at 31 December 2017, which was repayable in 2018 and carrying a margin over EIBOR and LIBOR. During the current year, these facilities were repaid in full.
- Syndicated facilities of AED 2,027,827 thousand as at 31 December 2017, which was repayable in 2018 and carrying a margin over EIBOR and LIBOR. During the current year, these facilities were repaid in full.
- Mudaraba facility of AED 679,875 thousand as at 31 December 2017, which was repayable in 2021 and carrying a fixed rate of profit. During the current year, this facility was repaid in full.

The effective interest rate paid on the above averaged 4.0% per annum for the current year (2017: 4.0% per annum). These loans are mainly denominated in AED and USD.

d) Bonds (including Sukuk)

	2018 AED'000	*2017 AED'000*
These instruments are denominated in the following currencies:		
US Dollar (see note (i) below)	**29,720,774**	27,806,588
UAE Dirham ((ii))	**5,771,320**	5,236,472
	35,492,094	33,043,060
Less: transaction costs	**(26,583)**	(19,275)
	35,465,511	33,023,785

These bonds (including sukuk) have been issued at fixed coupon rates varying from 3.5% to 5.75% (2017: 3% to 5%).

i) US Dollar denominated bonds with outstanding face value of USD 4,166,348 thousand (2017: USD 4,221,070 thousand) and USD 3,866,721 thousand (2017: USD 3,335,710 thousand) are of Islamic (sukuk) and conventional formats respectively. These bonds are repayable either semi-annually or as a bullet payment upon their relevant maturities over the period up to 2028 (2017: period up to 2027).

ii) UAE Dirham denominated bonds of AED 5,771,320 thousand (2017: AED 5,236,472 thousand) issued by one of the subsidiaries of the Group under a Shari'ah compliant open ended investment fund is repayable on demand to bond holders.

27 BORROWINGS AND LEASE LIABILITIES (continued)

e) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future lease payments AED'000	***Interest component AED'000***	***Present value of minimum lease payments AED'000***
31 December 2018:			
Less than one year	**7,076,753**	**(1,500,980)**	**5,575,773**
Between one and five years	**24,840,386**	**(4,043,408)**	**20,796,978**
More than five years	**19,356,165**	**(2,271,798)**	**17,084,367**
	51,273,304	**(7,816,186)**	**43,457,118**

	Future lease payments AED'000	*Interest component AED'000*	*Present value of minimum lease payments AED'000*
31 December 2017:			
Less than one year	10,449,187	(1,231,977)	9,217,210
Between one and five years	23,648,945	(3,538,075)	20,110,870
More than five years	16,805,946	(1,798,468)	15,007,478
	50,904,078	(6,568,520)	44,335,558

The carrying value of lease liabilities approximate their fair value. The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spreads. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

The effective interest rate on finance lease liabilities for the current year was 3.6% (2017: 2.9%).

f) Securities

The significant securities provided against the borrowings are as follows:

- First mortgage over applicable property, plant and equipment;
- Assignment of insurance policies and earnings from applicable property, plant and equipment;
- Negative pledge whereby the relevant subsidiaries of the Group shall not create or permit to subsist any security on any of the applicable property, plant and equipment to third parties;
- Confirmation from a Group entity that it shall not merge or amalgamate or sell its assets, except in the ordinary course of business, without prior approval of the concerned banks;
- Confirmation from a Group entity that prior consent of the lenders will be obtained before effecting any change in its ownership and/or sale of significant assets; and
- Certain applicable real estate assets of the Group have been designated to support issuance of borrowings in the form of Ijara.

28 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments together with notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor of the credit risk.

2018

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts*		
			Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	669,009	(616,778)	242,996,639	214,784,084	28,212,555
Foreign exchange options	11,893	(12,085)	29,892,425	23,281,925	6,610,500
Interest rate swaps / caps	2,575,605	(2,224,763)	224,289,571	66,603,902	157,685,669
	3,256,507	**(2,853,626)**	**497,178,635**	**304,669,911**	**192,508,724**
Derivatives held as cash flow hedges:					
Interest rate swaps	**296,268**	**(56,492)**	**12,292,209**	**367,250**	**11,924,959**
Derivatives held as fair value hedges:					
Interest rate swaps	**105,268**	**(857,630)**	**5,613,986**	**1,412,018**	**4,201,968**
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	**12,849**	**-**	**271,033**	**271,033**	**-**
(A)	**3,670,892**	**(3,767,748)**	**515,355,863**	**306,720,212**	**208,635,651**
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	2,591	-	2,591	2,591	-
Commodity contracts swaps and futures	495,357	-	15,583,591	15,583,591	-
	497,948	**-**	**15,586,182**	**15,586,182**	**-**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	14,458	(10,631)	2,532,376	2,532,376	-
Interest rate swaps	142,432	(105,587)	14,265,648	3,377,337	10,888,311
	156,890	**(116,218)**	**16,798,024**	**5,909,713**	**10,888,311**
Derivatives held as fair value hedges:					
Interest rate swaps	**-**	**(12,161)**	**646,947**	**94,098**	**552,849**
(B)	**654,838**	**(128,379)**	**33,031,153**	**21,589,993**	**11,441,160**
Total (A+B)	**4,325,730**	**(3,896,127)**	**548,387,016**	**328,310,205**	**220,076,811**

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2017

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts*		
			Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	712,127	(606,968)	162,459,678	137,181,935	25,277,743
Foreign exchange options	14,637	(14,582)	21,678,528	6,458,910	15,219,618
Interest rate swaps / caps	1,679,834	(1,297,513)	232,222,299	78,435,248	153,787,051
Commodity options	29,586	(29,585)	811,054	811,054	-
	2,436,184	(1,948,648)	417,171,559	222,887,147	194,284,412
Derivatives held as cash flow hedges:					
Interest rate swaps	379,847	(48,092)	11,761,739	3,786,150	7,975,589
Derivatives held as fair value hedges:					
Interest rate swaps	35,489	(246,596)	6,470,889	104,666	6,366,223
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	-	(9,159)	355,989	355,989	-
(A)	2,851,520	(2,252,495)	435,760,176	227,133,952	208,626,224
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	221,312	-	221,312	9,474	211,838
Commodity contracts swaps and futures	31,726	(380,664)	27,549,417	27,549,417	-
	253,038	(380,664)	27,770,729	27,558,891	211,838
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	-	(27,358)	2,507,259	2,507,259	-
Commodity forward contracts	-	(665)	-	-	-
Interest rate swaps	50,837	(111,662)	8,228,374	344,145	7,884,229
	50,837	(139,685)	10,735,633	2,851,404	7,884,229
Derivatives held as fair value hedges:					
Interest rate swaps	34,688	(12,114)	4,503,977	1,709,797	2,794,180
(B)	338,563	(532,463)	43,010,339	32,120,092	10,890,247
Total (A+B)	3,190,083	(2,784,958)	478,770,515	259,254,044	219,516,471

28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Disclosed as follows:

	2018	*2017*
	AED'000	*AED'000*
Positive fair value of derivatives:		
Non-current assets	**2,298,225**	1,966,517
Current assets	**2,027,505**	1,223,566
Total	**4,325,730**	3,190,083
Negative fair value of derivatives:		
Non-current liabilities	**(2,016,038)**	(1,668,404)
Current liabilities	**(1,880,089)**	(1,116,554)
Total	**(3,896,127)**	(2,784,958)
Net fair value of derivatives (see note 15)	**429,603**	405,125

29 OTHER NON-CURRENT PAYABLES

	2018	*2017*
	AED'000	*AED'000*
Deferred revenue	**1,779,058**	1,553,389
Provision for aircraft return conditions	**2,792,994**	2,825,821
Deferred credits (non-current portion)	**2,516,385**	2,698,490
Retention payable (non-current portion)	**279,388**	227,300
Maintenance reserve and security deposits (see note 34 (b))	**4,073,749**	4,301,150
Provision for construction warranty	**141,837**	142,502
Amounts due to Government, MOF and other related parties (see note 35 (b))	**24,765**	26,738
Other provisions	**319,932**	113,259
Cylinder replacement costs	**23,193**	20,823
Rehabilitation liabilities	**-**	235,556
Others	**432,280**	960,748
	12,383,581	13,105,776

30 TRADE AND OTHER PAYABLES

	2018 *AED'000*	2017 *AED'000*
Trade payables	**28,369,648**	25,816,228
Passenger and cargo sales in advance	**10,854,947**	11,050,231
Accrued interest / profit payable	**2,686,182**	1,914,947
Advance from customers	**2,082,017**	2,052,353
Amounts due to associates and joint ventures (see note 35(b))	**1,081,040**	999,983
Amounts due to Government, MOF and other related parties (see note 35(b))	**322,622**	575,317
Managers' cheques	**1,238,897**	1,350,049
Abandonment and decommissioning liability	**236,549**	125,803
Deferred revenue	**2,627,444**	3,260,316
Deferred credits (current portion)	**322,145**	313,268
Rehabilitation liabilities	**3,664**	11,653
Excess billings from construction contracts	**266,670**	213,111
Members' margin deposit	**23,568**	38,893
Dividend payable (includes payable on behalf of companies listed on the stock exchange)	**1,004,583**	733,337
Retention payable (current portion)	**446,530**	593,059
Provision for aircraft return conditions	**740,376**	691,320
Maintenance reserve and security deposits	**732,545**	643,254
Other payables, accruals and other provisions	**9,954,349**	9,301,339
	62,993,776	59,684,461

31 CUSTOMER DEPOSITS

	2018 *AED'000*	2017 *AED'000*
Demand, call and short notice	**112,445,993**	113,870,097
Time	**133,819,096**	107,950,235
Savings	**26,737,564**	26,269,769
Others	**6,457,006**	6,741,332
	279,459,659	254,831,433
Disclosed as follows:		
Non-current liabilities	**9,299,577**	7,576,160
Current liabilities	**270,160,082**	247,255,273
	279,459,659	254,831,433

The interest rates paid on the above deposits averaged 1.38% per annum for the current year (2017: 1.13% per annum).

Customer deposits (including Islamic customer deposits) include AED 3,024,926 thousand (2017: AED 2,891,100 thousand) deposits from Government, MOF and other related parties and AED 366,043 thousand (2017: AED 636,983 thousand) deposits from associates and joint ventures (see note 35(b)).

32 ISLAMIC CUSTOMER DEPOSITS

	2018 AED'000	*2017 AED'000*
Time	**28,158,225**	31,813,374
Demand, call and short notice	**14,227,095**	13,673,784
Savings	**10,014,757**	11,025,549
Others	**460,842**	590,803
	52,860,919	57,103,510
Disclosed as follows:		
Non-current liabilities	**438,635**	56,216
Current liabilities	**52,422,284**	57,047,294
	52,860,919	57,103,510

The profit rates paid on the above deposits averaged 1.31% per annum for the current year (2017: 1.04% per annum).

33 NON-CONTROLLING INTERESTS

Tier 1 Capital notes

Non-controlling interests includes three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2013 ("2013 Notes") and 2014 ("2014 Notes") by the Bank for an amount of AED 4 billion, USD 1 billion (AED 3.65 billion (net of issuance cost)) and USD 500 million (AED 1.83 billion (net of issuance cost)) respectively. The 2009 Notes were issued at a fixed interest rate for the first five years and on a floating rate basis thereafter. The 2013 Notes and 2014 Notes were issued at a fixed interest rate with a reset after six years. These Capital Notes are perpetual, subordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion. Noteholders will not have a right to claim the coupon and such event will not be considered an event of default. These Capital Notes have been classified under equity as "non-controlling interests".

Material partly owned subsidiaries

The financial information of a subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests as at 31 December:

Name	***Country of incorporation***	***2018***	*2017*
Emirates NBD PJSC	UAE	**44.24%**	44.24%

The financial information of the Bank is provided below:

	2018 AED'000	*2017 AED'000*
Balances of material non-controlling interests	**34,138,131**	32,073,452
Profit allocated to material non-controlling interests	**4,774,881**	4,021,493
Dividend / interest paid to material non-controlling interests	**1,576,475**	1,571,004

The above analysis includes Tier 1 capital notes and interest thereon.

The summarised financial information for the Bank is provided below. This information is based on amounts before inter-company eliminations.

33 NON-CONTROLLING INTERESTS (continued)

Material partly owned subsidiaries (continued)

Summarised statement of comprehensive income for the year ended 31 December is set out below:

	2018 ***AED'000***	*2017* *AED'000*
Profit for the year	**10,041,523**	8,345,796
Total comprehensive income	**9,865,456**	8,394,362

Summarised statement of financial position as at 31 December is set out below:

	2018 ***AED'000***	*2017* *AED'000*
Current assets	**352,660,920**	324,501,896
Non-current assets	**147,681,826**	145,870,387
Current liabilities	**380,240,940**	359,843,520
Non-current liabilities	**56,077,443**	51,167,226

Summarised cash flow statement information for the year ended 31 December is set out below:

	2018 ***AED'000***	*2017* *AED'000*
Net cash flows (used in) / from operating activities	**(12,647,278)**	6,033,178
Net cash flows used in investing activities	**(1,640,995)**	(2,442,198)
Net cash flows used in financing activities	**(2,997,966)**	(3,697,390)
Net decrease in cash and cash equivalents	**(17,286,239)**	(106,410)

34 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following investment commitments as at 31 December:

	2018 ***AED'000***	*2017* *AED'000*
Investment securities	**853,995**	910,019

(b) Operating lease commitments

Group as lessee

	2018 ***AED'000***	*2017* *AED'000*
Within one year	**12,235,350**	12,579,404
After one year but not more than five years	**38,800,512**	40,913,222
More than five years	**30,312,770**	36,623,349
	81,348,632	90,115,975

34 COMMITMENTS AND CONTINGENCIES (continued)

(b) Operating lease commitments (continued)

Group as lessor

	2018 ***AED'000***	*2017* *AED'000*
Within one year	**5,604,239**	5,578,823
After one year but not more than five years	**16,167,216**	14,489,037
More than five years	**9,175,852**	7,127,768
	30,947,307	27,195,628

A Group subsidiary acting as a lessor entered into non-cancellable operating leases of aircraft with various operators. These lease have terms up to 2033.

During the term of most aircraft leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserve and are disclosed under note 29.

(c) Capital commitments

Capital expenditure contracted for and still outstanding at the reporting date, is as follows:

	2018 ***AED'000***	*2017* *AED'000*
Capital commitments for the purchase of aircraft:		
Within one year	**9,402,411**	21,162,657
After one year but not more than five years	**120,147,578**	82,365,532
More than five years	**177,095,431**	221,270,022
	306,645,420	324,798,211
Contractual capital commitments in relation to other non-financial assets	**17,824,724**	21,039,694
Group's share of associates' and joint ventures' capital expenditure commitments	**6,220,131**	9,571,427
	330,690,275	355,409,332

(d) Assets held in a fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provide custodian services to some of their customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group consolidated financial statements.

34 COMMITMENTS AND CONTINGENCIES (continued)

(e) Contingencies

The Group has the following contingent liabilities at the reporting date:

	2018 AED'000	*2017 AED'000*
Letters of credit	**13,798,684**	14,358,163
Financial guarantee	**50,663,968**	49,293,722
Performance bonds	**6,377,945**	5,630,525
Liabilities on risk participation	**593,804**	1,161,869
Group's share of financial guarantee issued by associates and joint ventures	**9,044,104**	8,125,586
Group's share of letters of credit issued by associates and joint ventures	**1,050,379**	834,708
Third party claims*	**370,322**	251,925

* There are various claims against the subsidiaries and equity accounted investees of the Group initiated by their respective contractors, customers and other counterparties in respect of alleged delays in work or non-fulfilment of contractual obligations. Once the relevant assessments of these claims are completed by the relevant subsidiaries and equity accounted investees of the Group, and the amount of potential loss is reasonably estimated, an appropriate adjustment to account for any adverse effects on their financial standing is made. Proper controls and policies to manage such claims are in place, as a result, at reporting date it is believed that any adverse outcome from these claims are remote. Accordingly, no liability is recognised in respect of these contingencies.

In addition to the above, the approved rehabilitation plan of one of the Group's subsidiaries includes performance bonds and payment guarantees of AED 1,075,614 thousand as at 31 December 2018 (2017: AED 1,762,468 thousand) issued in the normal course of business. As at 31 December 2018, the management estimates that AED 3,664 thousand (2017: AED 247,209 thousand) may crystallise and accordingly a provision was recognised for "rehabilitation liabilities". This provision for rehabilitation liabilities is subject to debt to equity swap and cash settlement. As at 31 December 2018, a derivative asset of AED 2,591 thousand (2017: AED 221,312 thousand) was accounted for representing the difference between the carrying value of the rehabilitation liabilities subject to debt to equity swap settlement and the fair value of the shares to be issued as a result of the debt to equity swap settlement (see note 28).

(f) Operational commitments

One of the Group's subsidiaries has operational commitments of AED 3,145,919 thousand relating to sales and marketing as at 31 December 2018 (2017: AED 3,622,687 thousand).

(g) Undrawn loan commitments

The Group's banking operations (including the Group's share of associates) have undrawn loan commitments of AED 30,878,457 thousand outstanding at 31 December 2018 (2017: AED 34,015,156 thousand). This represents a contractual commitment to permit drawdowns on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to drawdown have to be fulfilled, the total contract amounts do not necessarily represent exact future cash requirements.

35 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the owner, associates, joint ventures, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the management of individual Group subsidiaries.

The Group enters into transactions with Government-owned entities in the normal course of business. Such entities include various utility companies, port authorities etc. In accordance with the exemption in the revised IAS 24, transactions entered in the normal course of business with these related Government entities are not disclosed.

a) Significant transactions with related parties included in the consolidated income statement are as follows:

	Purchase of goods and services (including cost of revenue) AED'000	*Sale of goods and services (including revenue) AED'000*	*Other finance income AED'000*	*Other finance costs AED'000*
Year ended 31 December 2018:				
Associates and joint ventures	**3,946,879**	**2,752,306**	**529,613**	**491,334**
Government, MOF and other related parties	**101,656**	**1,004,915**	**412,788**	**374,194**
Year ended 31 December 2017:				
Associates and joint ventures	3,314,534	2,532,919	588,999	378,311
Government, MOF and other related parties	69,291	1,094,114	387,921	335,237

b) Significant amounts due from and due to related parties are disclosed in notes 16, 18, 19, 20, 21, 27, 29, 30 and 31, further details of which are as follows:

	2018		*2017*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**19,422,440**	**12,354,929**	26,511,389	12,802,882
Government, MOF and other related parties	**162,183,915***	**13,762,309**	153,574,571*	13,889,732
	181,606,355	**26,117,238**	180,085,960	26,692,614

* This includes an amount of AED 150,218,137 thousand (2017: AED 139,581,859 thousand) that represents loans and receivables provided by the Bank to the Government.

i) Impairment provisions of AED 180,443 thousand (2017: AED 162,028 thousand) and AED 79,058 thousand (2017: AED 73,035 thousand) have been made against amounts receivable from "Government, MOF and other related parties" and "Associates and joint ventures" respectively. These amounts are included in "other non-current assets" and "trade and other receivables" at the year-end.

ii) Investment securities include balances of AED 107,396 thousand (2017: AED 105,697 thousand) with Government, MOF and other related parties.

35 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation to key managerial personnel:

The remuneration of directors and other key members of management included in the consolidated income statement are as follows:

	2018 ***AED'000***	*2017* *AED'000*
Short term benefits	**672,860**	587,572
End of service benefits	**49,249**	57,818
Directors' fees	**38,424**	36,876
Management fees charged by managers	**14,908**	15,981
	775,441	698,247

d) The investments made in associates and joint ventures, the Group's share of results of associates and joint ventures, the dividends received from them during the current and prior year and other movements are disclosed in note 14 of these consolidated financial statements. The distribution made to the Government has been disclosed in the statement of changes in equity and note 24 to the consolidated financial statements.

36 FINANCIAL RISK MANAGEMENT

The tables below set out the Group's classification of each class of financial assets and financial liabilities at the date of statement of financial position:

31 December 2018:

	Measured at FVTPL AED'000	*Measured at FVOCI AED'000*	*Measured at Amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets					
Non derivative financial assets					
Investment securities (see note 15)	8,163,752	6,667,871	14,723,593	-	29,555,216
Islamic financing and investment products (see note 19)	-	-	68,034,762	-	68,034,762
Loans and receivables (see note 20)	-	-	274,213,255	-	274,213,255
Other non-current assets	-	-	9,652,830	-	9,652,830
Trade and other receivables	-	-	28,256,941	-	28,256,941
Customer acceptances	-	-	7,736,164	-	7,736,164
Cash and deposits with banks (see note 21)	-	-	150,038,936	-	150,038,936
Derivative financial assets	-	-	-	-	-
Positive fair value of Derivatives (see note 28)	-	-	-	4,325,730	4,325,730
	8,163,752	**6,667,871**	**552,656,481**	**4,325,730**	**571,813,834**
Financial Liabilities					
Non derivative financial liabilities					
Customer deposits (see note 31)	-	-	279,459,659	-	279,459,659
Islamic customer deposits (see note 32)	-	-	52,860,919	-	52,860,919
Borrowings and lease liabilities (see note 27)	-	-	215,452,438	-	215,452,438
Other non-current payables	-	-	4,999,998	-	4,999,998
Customer acceptances	-	-	7,736,164	-	7,736,164
Trade and other payables	-	-	46,074,115	-	46,074,115
Derivative financial liabilities					
Negative fair value of Derivatives (see note 28)	-	-	-	3,896,127	3,896,127
	-	-	**606,583,293**	**3,896,127**	**610,479,420**

Fair values of the above mentioned financial assets and liabilities (that are not stated at fair value) are not materially different from their carrying values.

36 FINANCIAL RISK MANAGEMENT (continued)

31 December 2017:

	Held at FVTPL AED'000	*Held-to-maturity AED'000*	*Available-for-sale AED'000*	*Loans and receivables AED'000*	*Liabilities at amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets							
Non-derivative financial assets							
Investment securities (see note 15)	4,658,926	1,956,177	22,682,003	-	-	-	29,297,106
Islamic financing and investment products (see note 19)	-	-	-	62,766,036	-	-	62,766,036
Loans and receivables (see note 20)	-	-	-	255,496,933	-	-	255,496,933
Other non-current assets	-	-	-	15,640,082	-	-	15,640,082
Trade and other receivables	-	-	-	29,294,248	-	-	29,294,248
Customer acceptances	-	-	-	6,111,947	-	-	6,111,947
Cash and deposits with banks (see note 21)	-	-	-	153,905,974	-	-	153,905,974
Derivative financial assets							
Positive fair value of derivatives (see note 28)	-	-	-	-	-	3,190,083	3,190,083
	4,658,926	1,956,177	22,682,003	523,215,220	-	3,190,083	555,702,409
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 31)	-	-	-	-	254,831,433	-	254,831,433
Islamic customer deposits (see note 32)	-	-	-	-	57,103,510	-	57,103,510
Borrowings and lease liabilities (see note 27)	-	-	-	-	217,601,679	-	217,601,679
Other non-current payables	-	-	-	-	5,351,893	-	5,351,893
Customer acceptances	-	-	-	-	6,111,947	-	6,111,947
Trade and other payables	-	-	-	-	42,587,319	-	42,587,319
Derivative financial liabilities							
Negative fair value of derivatives (see note 28)	-	-	-	-	-	2,784,958	2,784,958
	-	-	-	-	583,587,781	2,784,958	586,372,739

Fair values of the above mentioned financial assets and liabilities (that are not stated at fair value) are not materially different from their carrying values.

36 FINANCIAL RISK MANAGEMENT (continued)

Overview

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included in these consolidated financial statements.

Risk Management Framework and Process

The Board of Directors of ICD and of the respective entities have responsibility for:

- The establishment and oversight of risk management frameworks including the determination and approval of risk appetite; and
- The formation of appropriate risk management committees responsible for developing and monitoring risk management policies and the identification, analysis and management of the risks in the operations of the respective businesses.

The Group's risk management framework takes into account the complexity of the Group's business operations and diversity of geographical locations. The Group's risk management framework is not intended to prescribe a specific process for risk management but rather to integrate risk management as a practice into each Group entity's processes and according to each Group entity's specific needs.

The key features of the Group's risk management framework are:

- Risk management policies designed 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;
- Design and implementation of appropriate controls with adequate reporting in place to monitor their ongoing effectiveness to safeguard the Group's interests;
- Timely escalation to management of exceptions and deviations from authorised limits and other relevant risk guidelines and policies;
- Regular review of risk management policies and processes to reflect changes in market conditions and the Group's operations;
- Training of employees to develop a disciplined control environment in which all employees understand their roles and responsibilities; and
- Risk taking within approved authorities and compliance with applicable regulatory requirements.

Risk management functions of Group entities assist their senior management in controlling and actively managing the Group's overall risk. These functions also ensure that:

- Policies, procedures and methodologies are consistent with risk appetite;
- The overall business strategy is consistent with its risk appetite; and
- Appropriate risk management processes are developed and implemented.

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 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. Credit risk is mainly attributable to investment securities (primarily bonds), Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties), customer acceptances, and cash at bank. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of the respective subsidiaries. The Group's cash is placed with banks of repute.

Credit risk management and structure
The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios. The credit policy for the banking operations focuses on the core credit policies and includes lending parameters, target businesses, specific policy guidelines, management of high risk customers, provisioning guidelines, policies governing overseas locations etc. The relevant Credit Management and Investment Committee retains the ultimate authority to approve larger credits. Independent functions within the Bank manage credit risks on the corporate and retail portfolios.

Trade and other receivables
Sales are made to customers on mutually agreed terms. The credit committees set up by the respective subsidiaries are responsible for determining:

- The creditworthiness of its customers;
- The credit exposure and the credit ratings of the customers; and
- Appropriate collateral as securities and financial guarantees.

Collateral management
Collaterals and guarantees are effectively used as mitigating tools by the Group's banking operations. The quality of collateral is continuously monitored and assessed.

Where credit facilities are secured by collateral, the Group seeks to ensure the enforceability of the collateral.

Collaterals are revalued regularly as per the Bank's credit policy. In addition, ad-hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

Credit risk measurement (applicable from 1 January 2018)
The Group uses a combination of general approach and simplified approach to measure credit risk and compute expected credit losses.

For instruments where the general approach is used, the estimation of credit risk for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails making further estimations on the likelihood of defaults occurring and the associated loss ratios. The Group measures credit risk using the PD, EAD and LGD. These parameters are generally derived from internally developed statistical models and other historical data, and are adjusted to reflect forward-looking information.

The Bank allocates exposure with respect to loans and receivables, Islamic financing and investments in debt securities to a credit risk grade that reflects its assessment of the probability of default of individual counterparties. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of counterparty. Credit risk grades are defined and calibrated in such a way that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the counterparty. The financial assets for which the credit risk grades corresponds to the definition of credit-impaired financial assets are classified as non-performing financial assets.

The Group carries periodic reviews of its counterparties, to update their credit worthiness in the light of all actual market available information and historical observed defaults.

36 FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

Credit risk measurement (applicable from 1 January 2018) (continued)
For instruments where the simplified approach is followed (this mainly includes trade receivables, due from related parties, loan receivables (non-banking operations) retention receivables, contract receivables and finance lease receivables), credit risk is assessed using a provision matrix approach. Under the provision matrix approach, a historical credit loss experience adjusted for forward-looking information is used in estimating ECL.

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

	2018 ***AED'000***	*2017* *AED'000*
Investment securities	**23,839,871**	21,620,882
Other non-current assets (including due from related parties)	**9,652,830**	15,640,082
Positive fair value of derivatives	**4,325,730**	3,190,083
Islamic financing and investment products	**68,034,762**	62,766,036
Loans and receivables	**274,213,255**	255,496,933
Trade and other receivables (including due from related parties)	**28,256,941**	29,294,248
Customer acceptances	**7,736,164**	6,111,947
Deposits with banks (including due from banks)	**146,617,546**	150,013,722
	562,677,099	544,133,933

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group might have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2018 ***AED'000***	*2017* *AED'000*
Letters of credit	**13,798,684**	14,358,163
Financial guarantee	**50,663,968**	49,293,722
Performance bond	**6,377,945**	5,630,525
Liabilities on risk participation	**593,804**	1,161,869
Group's share of financial guarantees issued by associates and joint ventures	**9,044,104**	8,125,586
Group's share of letters of credit issued by associates and joint ventures	**1,050,379**	834,708
Undrawn loan commitments	**30,878,457**	34,015,156
	112,407,341	113,419,729

The credit quality and movement in allowance for impairment of other non-current assets, trade receivables, due from related parties, loan receivables (non-banking receivables), retention receivables, contract receivables, finance lease receivables, Islamic financing and investment products, and loans and receivables as at year end / during the year respectively is disclosed in notes 16, 18, 19 and 20.

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings and lease liabilities, Islamic customer deposits and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary is also responsible for managing its liquidity risk. The Group manages its liquidity by:

- Setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- Monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of assets that can be easily liquidated; and
- Maintaining adequate cash reserves and banking facilities.

The following are the contractual maturities of financial liabilities, including interest payments at the reporting date:

Financial liabilities	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2018				
Customer deposits	**279,459,659**	**282,676,591**	**272,251,632**	**10,424,959**
Islamic customer deposits	**52,860,919**	**53,356,200**	**52,863,607**	**492,593**
Borrowings and lease liabilities	**215,452,438**	**245,092,465**	**60,703,358**	**184,389,107**
Other non-current payables	**4,999,998**	**4,999,998**	**-**	**4,999,998**
Customer acceptances	**7,736,164**	**7,736,164**	**7,736,164**	**-**
Trade and other payables	**46,074,115**	**46,117,550**	**45,744,576**	**372,974**
Negative fair value of derivatives	**3,896,127**	**3,891,526**	**1,879,616**	**2,011,910**
Total liabilities	**610,479,420**	**643,870,494**	**441,178,953**	**202,691,541**
Off balance sheet				
Letter of credit and financial guarantee	**64,462,652**	**64,462,652**	**51,014,886**	**13,447,766**
Group's share of letter of credit and financial guarantee issued by associates and joint ventures	**10,094,483**	**10,094,483**	**6,845,980**	**3,248,503**
Undrawn loan commitment	**30,878,457**	**30,878,457**	**22,233,920**	**8,644,537**
Total off balance sheet items	**105,435,592**	**105,435,592**	**80,094,786**	**25,340,806**

36 FINANCIAL RISK MANAGEMENT (continued)

36.2 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest payments at the reporting date: (continued)

Financial liabilities	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2017				
Customer deposits	254,831,433	256,377,239	248,488,263	7,888,976
Islamic customer deposits	57,103,510	57,478,015	57,419,197	58,818
Borrowings and lease liabilities	217,601,679	245,587,765	64,580,984	181,006,781
Other non-current payables	5,351,893	5,351,893	-	5,351,893
Customer acceptances	6,111,947	6,111,947	6,111,947	-
Trade and other payables	42,587,319	42,640,401	42,205,214	435,187
Negative fair value of derivatives	2,784,958	2,824,729	1,178,975	1,645,754
Total liabilities	586,372,739	616,371,989	419,984,580	196,387,409
Off balance sheet				
Letter of credit and financial guarantee	63,651,885	63,651,885	50,099,541	13,552,344
Group's share of letter of credit and financial guarantee issued by associates and joint ventures	8,960,294	8,960,294	6,548,941	2,411,353
Undrawn loan commitment	34,015,156	34,015,156	25,925,269	8,089,887
Total off balance sheet items	106,627,335	106,627,335	82,573,751	24,053,584

The Group is also exposed to liquidity risk in respect of those contingencies and commitments as are disclosed in notes 34 (a), (b) and (c).

36.3 Market risk

Market risk is the risk that changes in market factors, such as equity prices, commodity prices, credit spreads, interest or profit rates and foreign currency rates will affect the Group's income, equity or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The diverse activities of entities within the Group create exposures to specific market risks that are managed through risk management frameworks appropriate for the inherent business risks. Certain subsidiaries buy and sell derivatives and incur financial liabilities to manage market risks. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Relevant aspects of the Bank's market risk framework are described below.

Market risk specific to banking operations

To better capture the multi-dimensional aspects of market risk, the Bank's primary market risk metric is a statistical measure, Value-at-Risk ("VaR"), used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes listed below, plus a total VaR figure for the whole Trading Book:

- Interest rate VaR;
- Foreign exchange VaR; and
- Total VaR.

The VaR is calculated for specific asset classes and in total, using the historical simulation method and measured at the 99% confidence level over a specified horizon (holding period).

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

Market risk specific to banking operations (continued)

The year-end VaR numbers reported below have been derived using the following configuration:

- Confidence level: 99%
- Holding period: 1 business day
- Methodology: full revaluation, historical simulation using over 2 years of historical market data

Total Value-at-Risk

By Asset class **Trading**	***Average*** ***AED'000***	***Maximum*** ***AED'000***	***Minimum*** ***AED'000***	***Actual*** ***AED'000***
31 December 2018				
Interest rate risk	**18,470**	**29,223**	**2,381**	**3,402**
Foreign exchange risk	**12,687**	**26,764**	**6,648**	**7,307**
Credit trading risk	**929**	**3,015**	**220**	**1,831**
Total*	**23,947**	**42,902**	**6,331**	**6,647**
31 December 2017				
Interest rate risk	5,972	15,553	2,454	12,034
Foreign exchange risk	9,528	29,134	2,442	12,081
Credit trading risk	1,103	3,291	150	1,244
Total*	10,680	28,560	3,233	11,595

* Note that the sum of asset class VaR metrics does not add up to the reported Total VaR metric due to diversification and cross correlation effects.

The major foreign currency open positions of the Bank are as follows:

	2018 ***AED'000*** **Long / (Short)**	*2017* *AED'000* Long / (Short)
U.S. Dollar (USD)	**3,331,213**	(3,073,311)
Oman Riyal (OMR)	**(307,621)**	(492,500)
Saudi Riyal (SAR)	**(443,688)**	(543,313)
Egyptian Pound (EGP)	**88,823**	223,897
Bahraini Dinar (BHD)	**(244,256)**	(122,813)

As AED, SAR, OMR and BHD are pegged against USD, the Bank's exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

36.3.1 Equity price risk

Equity price risk arises from investments in equity instruments measured at FVTPL and FVOCI at the reporting date (2017: from investments in equity instruments designated as either available-for-sale financial assets or as fair value through profit or loss). Group entities are responsible for monitoring their investment portfolios. Material investments within portfolios are managed on an individual basis. All such investments are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.1 Equity price risk (continued)

Equity price risk – sensitivity analysis
A five percent increase in equity prices would have increased the fair value of securities by AED 285,767 thousand (2017: AED 383,811 thousand); an equal change in the opposite direction would have decreased the fair value of securities by AED 285,767 thousand (2017: AED 383,811 thousand). The following table demonstrates the sensitivity of the Group's equity and profit to a 5 percent change in the price of its equity holdings, assuming all other variables, in particular foreign currency rates, remain constant.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2018		
Effect of changes in equity portfolio of the Group	**135,538**	**258,767**
31 December 2017		
Effect of changes in equity portfolio of the Group	16,356	383,811

36.3.2 Commodity price risk

The Group is exposed to commodity price risk mainly from the price volatility of crude oil and oil derived products. The Group manages its exposure to changes in oil prices, and, in doing so, may use commodity derivative instruments including commodity futures, swaps and options. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant entity.

Commodity price risk – sensitivity analysis
An increase of 5% in oil prices relating to commodity derivative contracts would have increased / (decreased) equity and profit respectively by the amounts shown below. This analysis assumes that all other variables remain constant. An equivalent decrease of the same magnitude would have an equal but opposite effect.

	Equity AED'000	***Profit AED'000***
31 December 2018		
Effect of changes in oil prices	**(11,032)**	**(11,032)**

	Equity AED'000	*Profit AED'000*
31 December 2017		
Effect of changes in oil prices	68,638	68,638

At the reporting date, if the market price of crude oil had been USD 10 per barrel higher/lower, the crude oil over lift payable would have been higher/lower by AED 45.57 million (2017: crude oil under lift receivable would have been higher/lower by AED 30.14 million).

36.3.3 Interest or profit rate risk

The Group is exposed to interest or profit rate risk due to interest rate or profit fluctuations with respect to investment in securities (primarily bonds and sukuks), Islamic financing and investment products, loans and receivables, derivatives, cash and deposits with banks, customer deposits, Islamic customer deposits, and borrowings and lease liabilities.

Certain subsidiaries manage their interest or profit rate risk by entering into interest rate swap contracts. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or conversely. For details on the fair values, notional amounts and maturity analysis of interest rate swap contracts, please see note 28.

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.3 Interest / profit rate risk (continued)

Banking operations
The Bank measures, monitors and manages the interest rate risk in its banking book, and its key components repricing risk, yield curve risk, basis risk, and optionality, as appropriate.

Interest Rate Risk in the Banking Book ('IRRBB') is defined as the exposure of the non-trading products of the Bank to interest rates. Non-trading portfolios include all banking book positions that arise from the interest rate on the Bank's consumer and commercial banking assets and liabilities, and debt instruments measured at FVOCI or designated as available-for-sale and amortised cost or held-to-maturity. IRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of interest rate changes.

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to the Bank's treasury under the supervision of the Bank's Asset and Liability Committee ("ALCO"), through Funds Transfer Pricing (FTP) Systems. The Bank's ALCO is required to regularly monitor all such interest rate risk positions to ensure they comply with interest rate risk limits.

In order to measure the overall interest sensitivity in the banking book, the Bank conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points (bp), and assessing the corresponding impact on its net interest income.

	31 December 2018		*31 December 2017*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**16,951,915**	**3,305,288**	13,636,006	2,207,109
Base Case	**13,646,627**	**-**	11,428,897	-
Rates Down 200 bp	**9,737,839**	**(3,908,788)**	9,007,996	(2,420,901)

The interest rate sensitivities set out in the table above are based on a set of scenarios i.e. the projections above assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net interest income of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by the Bank's treasury or in the business units to mitigate the impact of this interest rate risk. In practice, the Bank's treasury seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues.

Non-banking operations
The table below shows the effect on the consolidated income statement and consolidated statement of changes in equity of an increase of 100 basis points in interest/profit rate relating to the net interest/profit bearing financial assets and liabilities of non-banking operations of the Group. The analysis below excludes interest capitalised and assumes that all other variables remain constant. An equivalent decrease would have an equal but opposite effect accordingly.

	31 December 2018 Effect on		*31 December 2017 Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp increase in rates	**(593,048)**	**(394,371)**	(531,589)	(400,106)

36.3.4 Currency risk

Banking operations
The foreign currency open positions of the Group's banking operations are disclosed in the market risk section specific to banking operations (see note 36.3).

36 FINANCIAL RISK MANAGEMENT (continued)

36.3 Market risk (continued)

36.3.4 Currency risk (continued)

Non-banking operations
The Group's non-banking operations are exposed to foreign exchange risk on transactions denominated in currencies other than the functional currencies of the Group entities. These transactions give rise to foreign currency exposures. In practice, in respect of monetary assets and liabilities denominated in USD, there is no foreign exchange risk involved since AED is currently pegged to USD. Certain Group entities operate in countries where exchange controls and other foreign exchange restrictions apply. Group entities monitor exchange rate movements and the related impact on their financial assets and financial liabilities, and manage their foreign currency exposure in accordance with their risk management framework. A 5% change in exchange rate of foreign currencies other than USD would not have a significant impact on the Group's profit or equity.

36.4 Capital management

The objective of the Group's capital management is to ensure that it maintains strong capital ratios to enable it to support its business and maximise value for the Government.

The Group manages its capital structure in light of changes in economic and market conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings aggregating to AED 197,657,612 thousand as at 31 December 2018 (2017: AED 190,002,814 thousand).

The Group has certain bank borrowing arrangements that require maintaining certain ratios and shareholding structure. Apart from these requirements and subordination of funding provided by the shareholders of certain subsidiaries, certain Group entities, such as the Bank, operate in a highly regulated environment and accordingly their capital management is subject to specific regulatory requirements.

37 OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities that is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's management.

For such monitoring and evaluation purposes, the Group is organised in three major reportable operating segments:
- Banking and other financial services: this segment comprises of banking operations, non-bank financial institutions, holding and administering of interests in financial exchanges and financial transaction management advisory services;
- Transportation and related services: this segment comprises primarily of passenger and commercial air transportation (including retail of consumer goods and in-flight catering), airport handling operations, aircraft handling and engineering services, other travel related services and aircraft leasing services; and
- Oil and gas products/services: this segment comprises of upstream oil and gas production and downstream marketing and retailing of oil and gas functions.

Other segments are components of the Group's business activities that need not be disclosed separately as per the criteria specified under IFRS 8 - Operating Segments. A brief description of these businesses is as follows:
- Retail trade: primarily comprises of duty free retail services at Dubai's airports, ownership and operations of supermarkets and retail services, and trading of goods and services across various sectors;
- Hotels and leisure: primarily comprises of the hotels owned and/or managed by the Group and related operations;
- Real estate and construction: comprises of income from development, construction contracting, structural steelwork manufacturing, operating leases of buildings, and rental of exhibition and convention centres; and
- Other investment income: primarily comprises of investment operations.

37 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2018 and 31 December 2017:

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products/ services AED'000*	*Others AED'000*	*Total AED'000*
2018:					
Revenues					
Banking and other financial Services	19,790,629	-	-	183,539	19,974,168
Lease revenue	43,288	4,198,616	221,150	1,161,073	5,624,127
Revenue from contracts with customers – IFRS 15					
- Over a period of time	31,175	104,787,891	-	8,739,685	113,558,751
- Single point in time	4,193,740	8,099,803	69,617,179	11,367,008	93,277,730
Total revenue from external customers	**24,058,832**	**117,086,310**	**69,838,329**	**21,451,305**	**232,434,776**
Results:					
Profit for the year before income tax	**12,194,241**	**3,548,023**	**2,418,787**	**4,116,992**	**22,278,043**
2017:					
Revenues					
Revenue from external customers	20,546,566	105,413,553	54,908,833	20,061,649	200,930,601
Results:					
Profit for the year before income tax	10,619,856	6,138,700	3,324,333	5,103,915	25,186,804

The following table presents assets and liabilities related information of the Group's operating segments as at 31 December 2018 and 31 December 2017:

	Banking and other financial services AED'000	*Transportation and related services AED'000*	*Oil and gas products/ services AED'000*	*Others AED'000*	*Total AED'000*
2018*:					
Segmental Assets	**526,920,848**	**190,114,918**	**43,036,608**	**117,239,886**	**877,312,260**
Segmental Liabilities	**431,851,865**	**141,047,151**	**20,963,118**	**47,153,370**	**641,015,504**
2017*:					
Segmental Assets	497,260,109	187,491,492	46,770,982	112,730,152	844,252,735
Segmental Liabilities	406,721,773	140,082,940	23,216,606	46,787,843	616,809,162

*Assets and liabilities classified as held for sale as at 31 December 2018 and 31 December 2017 have not been considered for IFRS 8 – Operating Segments disclosures.

38 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

List of significant subsidiaries, associates and joint ventures along with their principal activities is as follows:

SUBSIDIARIES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD				
Emirates NBD PJSC	**55.76%**	55.76%	UAE	Banking
Emirates National Oil Co. Limited (ENOC) LLC	**100.00%**	100.00%	UAE	Development and production of oil and gas, gas gathering and processing, production and selling of MTBE, marketing of petroleum products and retailing at service stations, oil trading, terminalling and storage, condensate processing, aviation fuel marketing, lubricant marketing, bunkering and oil related shipping activities
Dubai World Trade Centre Authority	**100.00%**	100.00%	UAE	Management of the Dubai World Trade Centre Complex
Emirates	**100.00%**	100.00%	UAE	Commercial air transportation including passenger, cargo and postal carriage services, wholesale and retail of consumer goods, in-flight and institutional catering and hotel operations
Dnata/dnata World Travel	**100.00%**	100.00%	UAE	Ground and cargo handling services, travel services and inflight catering
Dubal Holding LLC	**100.00%**	100.00%	UAE	Investment company in commercial/industrial enterprises and management
Borse Dubai Limited	**89.72%**	89.72%	UAE	Acquire and hold interests in undertakings operating or active in the financial exchange sector as well as the administration, development and management of such holdings
Dubai Duty Free Establishment	**100.00%**	100.00%	UAE	Duty free operations at Dubai airports
Dubai Silicon Oasis Authority	**100.00%**	100.00%	UAE	Development and management of a Free Zone Technology park
Dubai Airport Freezone Authority	**100.00%**	100.00%	UAE	Leasing office and warehouse space, leasing of land, issuing licenses, and providing other ancillary services

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
National Bonds Corporation PJSC	**100.00%**	100.00%	UAE	Fund manager for a Shari'ah compliant open-ended investment fund
Dubai Aerospace Enterprises ("DAE") Limited	**95.74%**	95.74%	UAE	Operations in aircraft leasing, maintenance, repair and over haul
Kerzner International Holdings Ltd	**99.99%**	87.69%	Bahamas	Hotel operations and management
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information Technology software solutions for General Department for Residency and Foreign Affairs ("GDRFA"), Ministry of Interior and other government departments
Aswaaq LLC	**100.00%**	99.00%	UAE	Operations of retail supermarkets and retail trading
Smartstream Technologies Holding Investments Limited	**100.00%**	100.00%	UK	Development, distribution and service of its transaction lifecycle management software products and data management services
Atlantis the Palm 2 Holding LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Gazelle Finance Limited	**100.00%**	100.00%	Cayman Islands	Investment holding
Deira Waterfront Development Holdings LLC	**100.00%**	100.00%	UAE	Holding company of property development management
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Ssangyong Engineering & Construction Co.Ltd	**99.94%**	98.97%	South Korea	Engineering and construction contracting
Imdaad LLC	**100.00%**	100.00%	UAE	Facility management services
Dubai Aviation Corporation (trading as "flydubai")	**100.00%**	100.00%	UAE	Commercial air transportation including passengers, cargo and postal carriage services

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
Ithra Dubai Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Property investment and development, and property management services
Deira Creek Holdings LLC	**90.00%**	-	UAE	Leisure, hospitality and leasing
ISS Global Forwarding One Person Company LLC	**100.00%**	-	UAE	Global freight forwarding services
One Za'abeel Holdings LLC	**100.00%**	100.00%	UAE	Property development
ICD Hospitality & Leisure LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Dubai Global Connect LLC	**100.00%**	-	UAE	Property development management
Ithra Europe Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure & hospitality
Ithra Africa Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure & hospitality
ICD Cape Town FZE	**100.00%**	100.00%	UAE	Holding and propriety company of hotel operations
Columbus Centre Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operations
ICD Funding Limited	**100.00%**	100.00%	Cayman Islands	Investment company
Ibtikar Innovation Investment LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Binaa Dubai LLC	**100.00%**	100.00%	UAE	Investment in commercial enterprises and management
Palmilla JV, LLC	**100.00%**	93.85%	Delaware	Holding company of hotel operations
List of significant subsidiaries of Dubai Aerospace Enterprises ("DAE") Limited				
DAE Holding KFT (direct owner of AWAS)	**100.00%**	100.00%	UAE	Acquires, leases, and sells commercial jet and associated aircraft disposals

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of Smartstream Technologies Holding Investments Limited				
D-Clear Europe Limited	**100.00%**	100.00%	UK	Development, distribution and service of post trade processing solutions, together with data management services
List of significant subsidiaries of Binaa Dubai LLC				
ALEC Engineering & Contracting LLC	**90.00%**	90.00%	UAE	Engineering and construction contracting
List of significant subsidiaries of Emirates NBD PJSC				
Emirates Islamic Bank PJSC	**99.90%**	99.90%	UAE	Islamic banking
Emirates NBD Egypt S.A.E	**100.00%**	100.00%	Egypt	Banking
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic banking
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC				
Dubai Natural Gas Company Limited	**100.00%**	100.00%	UAE	Gas processing
Emirates Gas LLC	**100.00%**	100.00%	UAE	Bottling and sale of LPG
Emirates National Oil Company (Singapore) Private Limited	**100.00%**	100.00%	Singapore	Petroleum supply & trading
ENOC Processing Company LLC	**100.00%**	100.00%	UAE	Petroleum refining
ENOC Properties LLC	**100.00%**	100.00%	UAE	Lease out commercial properties for rental purposes
ENOC Supply and Trading LLC	**100.00%**	100.00%	UAE	Petroleum supply & trading
Dragon Oil (Holdings) Limited	**100.00%**	100.00%	UAE	Oil and gas exploration, development and production
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal
ENOC Marketing L.L.C.	**100.00%**	100.00%	UAE	Petroleum sales and marketing
ENOC Lubricants and Grease Manufacturing Plant L.L.C.	**100.00%**	100.00%	UAE	Lubricant and grease manufacturing
ENOC Retail LLC	**100.00%**	100.00%	UAE	Service stations, retail and marketing
Horizon Terminals Limited.	**100.00%**	100.00%	Bahamas	Terminalling holding company

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of Emirates				
Maritime & Mercantile International L.L.C.	**68.70%**	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail L.L.C.	**68.70%**	68.70%	UAE	Food and beverage operations
Emirates Flight Catering Company LLC	**90.00%**	90.00%	UAE	In-flight and institutional catering
List of significant subsidiaries of dnata/dnata World Travel				
Dnata Aviation Services Ltd	**100.00%**	100.00%	United Kingdom	Ground and cargo handling services
dnata Travel Holdings UK Limited	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Catering Services Limited	**100.00%**	100.00%	UAE	In-flight catering services
List of significant subsidiaries of Borse Dubai Limited				
Dubai Financial Market (DFM) PJSC	**79.70%**	79.70%	UAE	Electronic financial market
Nasdaq Dubai Limited (NASDAQ Dubai)	**86.42%**	86.42%	UAE	Electronic financial market
List of significant subsidiaries of Atlantis the Palm 2 Holding LLC				
The Royal Atlantis Resort & Residences FZCO	**100.00%**	100.00%	UAE	Property development management
List of significant subsidiaries of ICD Hospitality and Leisure LLC				
Atlantis the Palm Holding Company Limited	**100.00%**	100.00%	British Virgin Islands	Hotel operation
Hotels Washington Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operation
Optimum ICD Holdings LLC	**90.00%**	90.00%	USA	Investment company
List of significant subsidiaries of Deira Waterfront Development Holdings LLC				
Deira Waterfront Development LLC	**100.00%**	100.00%	UAE	Property development management

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant associates of ICD				
Emaar Properties PJSC	**27.50 %**	27.50 %	UAE	Property investment and development, property management services, retail, hospitality and investments in providers of financial services
Dubai Islamic Bank PJSC	**28.37%**	28.33%	UAE	Islamic banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking
Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
Galadari Brothers Company Limited (LLC)	**-**	37.94%	UAE	Company engaged in trading of various goods and services
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment
Airport Financing Company FZE	**24.50%**	24.50%	UAE	Investment Company
List of significant associates of Emirates NBD PJSC				
National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance
List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC				
Vopak Horizon Fujairah Holding Limited	**33.33%**	33.33%	Gibraltar	Terminalling holding company
List of significant associates of Borse Dubai Limited				
Nasdaq, Inc. (see note 38.1)	**18.03%**	17.79%	USA	Stock Exchange

38 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

JOINT VENTURES:

	Beneficial interest 2018	*Beneficial interest 2017*	*Country of incorporation*	*Principal activities*
List of significant joint ventures of ICD				
Dubai Cable Company (Private) Limited	**50.00%**	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables
List of joint ventures of Emirates NBD PJSC				
Network International LLC (see note 38.2)	**51.00%**	51.00%	UAE	Card processing services
List of significant joint ventures of Emirates National Oil Co. Limited (ENOC) LLC				
EPPCO International Limited ("EIL")	**50.00%**	50.00%	Bahamas	Petroleum terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing
List of significant joint ventures of Dubal Holding LLC				
Emirates Global Aluminium PJSC ("EGA")	**50.00%**	50.00%	UAE	Aluminium smelters

In a number of cases, the Group owns more than a 50% ownership interest in entities and has classified them as associates / joint ventures, as management believes that the Group does not control these entities. In certain cases, the Group has joint control on these entities with other owners and unanimous owner consent is required for strategic financial and operating decisions by these entities.

38.1 Although the Group holds less than 20% of the equity shares of Nasdaq Inc. the Group exercises significant influence through having a direct representation on the Board of Directors of Nasdaq Inc. and accordingly, has adopted the equity method of accounting for this investment.

38.2 Subsequent to the year end, part of the Network International LLC's shares were admitted to the London Stock Exchange plc. The Bank disposed of 28.6% of its shareholding and following this listing, it retained 22.4% of the shares in the newly listed entity.