Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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Independent auditor's report to the Owner of Investment Corporation of Dubai

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Investment Corporation of Dubai ("ICD" or the "Corporation") and its subsidiaries (together, the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2019;
- the consolidated statement of comprehensive income for the year ended 31 December 2019;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated cash flow statement for the year ended 31 December 2019;
- the consolidated statement of changes in equity for the year ended 31 December 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Our audit approach

Overview

Group scoping	Based on size, complexity and risk, we considered the Corporation's standalone operations and its subsidiaries, associates and joint ventures to identify significant components to be in scope for our audit of the Group. In determining the significant components, we considered the financial significance besides the qualitative risk profiles. We also determined a number of other components to be in scope for the Group audit, in respect of which appropriate audit procedures were performed.
Key audit matters	- Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products - Concentration of related party balances - Acquisition of DenizBank A.Ş. - Passenger and cargo revenue recognition - Lease accounting and the impact of transition to IFRS 16 - Valuation of aircraft held for lease (as lessor)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

In addition to the Corporation's standalone operations, the Group has a number of subsidiaries, associates and joint ventures that are significant to the Group's consolidated financial statements. The diversity of industries and decentralised structure of the Group 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 the assessment of risk of material misstatement.

We obtained an understanding of management's consolidation process and consolidation adjustments. Through our risk assessment, we scoped significant components based on their financial significance and risk profile, including whether the component accounted for a significant proportion of individual consolidated financial statement line items. We obtained full scope audit opinions from component auditors for the significant components. We also requested certain other component auditors to perform audit procedures on components based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items.

We were in regular dialogue throughout the year with component auditors. This included providing detailed instructions to them covering significant areas, risks to be audited and the materiality levels to be used by each component. We obtained regular updates on progress and results of procedures through review of deliverables and the underlying work papers, as appropriate.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products Loans and receivables and Islamic financing and investment products of the Group's banking component, Emirates NBD Bank PJSC and its subsidiaries (the "Bank"), represent a significant part of the total assets of the Group. The assessment of the Bank's determination of impairment allowances for loans and receivables and Islamic financing and investment products requires management to make judgments over the staging of financial assets and measurement of Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the loans and receivables and Islamic financing and investment products and the complexity of the judgments, assumptions and estimates used in the ECL models. Refer to note 2.4 of the consolidated financial statements for the accounting policies and note 37.1 for the credit risk disclosure.	- An understanding was gained of the loan origination process, credit risk management process and the estimation process of determining impairment allowance for loans and receivables and Islamic financing and investment products. The operating effectiveness of relevant controls within these processes were tested. - On a sample basis, selected individual loans and performed a detailed credit review and challenged the Bank's identification of SICR (Stage 2), the assessment of credit-impaired classifications (Stage 3) and whether relevant impairment events had been identified in a timely manner. Challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. Evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls that form part of the approval process for loan impairment allowances. - Evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios including the related weightings. - For loans tested collectively, evaluated controls over the modelling process and validation and approval. Tested controls over model outputs. Challenged key assumptions and inspected the calculation methodology. - Tested the relevant IT application controls used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. Evaluated system-based and manual controls over the recognition and measurement of impairment allowances.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Loan loss impairments - Estimation uncertainty with respect to expected credit losses for loans and receivables and Islamic financing and investment products (continued)	
The material portion of the non-retail portfolio of loans and receivables and Islamic financing and investment products is assessed individually for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgment may also be involved in manual staging movements as per the Bank's policies. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the model. It is important that models are valid throughout the reporting period and are subject to a validation process by an independent reviewer.	- Evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. Further assessed the reasonableness of forward looking information incorporated into the impairment calculations by involving auditor's specialists to challenge the multiple economic scenarios chosen and weightings applied to capture non-linear losses. - The Bank performed an external validation of the probability of default (PD) and loss given default (LGD) models including the macroeconomic model during the reporting period. Considered the process of this external validation of the models and its impact on the results of the impairment estimate. - Updated our assessment of the methodology and framework designed and implemented by the Bank as to whether the impairment models' outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Bank to determine future economic conditions at the reporting date.
Concentration of related party balances Concentration of related party balances as at 31 December 2019 are disclosed in note 36 to the consolidated financial statements, which discloses the Bank's exposure to the Government of Dubai (the "Government"). We focused on this area due to the concentration of balances with related parties. Further, there is also significant management judgment that is required to determine the extent of disclosures under IFRS 7 'Financial Instruments: Disclosures' and IAS 24 'Related Party Disclosures'.	- Obtained from those charged with governance of the Bank, management information identifying all known related parties. - Evaluated and tested key controls of the Bank over the identification and monitoring of related party transactions. - Evaluated and tested key controls of the Bank over the initial recording and monitoring of loans. - Reviewed minutes of board and management meetings of the Bank to determine if there were any related party transactions not previously identified. - Vouched individual related party transactions of the Bank on a sample basis to supporting documentation.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Concentration of related party balances (continued)	
IFRS 7 requires that specific information be disclosed for each type of risk arising from financial instruments. These include qualitative disclosures 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 exposure, including significant credit risk concentrations. In addition, for government-controlled 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 government entities.	- Evaluated the adequacy of the disclosures 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 Owner, including the income arising from the material balance due from the Owner, based on the disclosures provided in note 36. We also sighted the original written confirmation of this balance as at 31 December 2019.
Acquisition of DenizBank A.Ş. During the year, the Bank completed the acquisition of a controlling stake of 100% in DenizBank A.Ş. for a consideration of AED 10,015 million. The cost of the acquisition was accounted for by determining the fair value of assets and liabilities acquired, including intangible assets and gain on bargain purchase. This acquisition resulted in the recognition of intangible assets of AED 1,029 million and gain on bargain purchase of AED 92 million. The fair values of net assets acquired are provisional and subject to potential adjustment. The Bank has undertaken a purchase price allocation as required by IFRS 3 'Business Combinations'. This included complex valuation considerations and required the use of specialists.	- Confirmed the effective date of the acquisition in accordance with the requirements of IFRS 3 by inspecting the salient terms and conditions of the purchase agreement. - Reviewed the sale and purchase agreements for the acquisition and assessed the acquisition accounting, tested the validity and completeness of consideration and evaluated management's assumptions and methodology supporting the fair values of net assets acquired including intangibles. - The audit procedures also included an assessment of the competency of the external expert used by the Bank to value the net assets acquired. Auditor's valuation specialists were engaged to challenge and corroborate the work of the external expert using market data and information from similar transactions.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of DenizBank A.Ş. (continued)	
The process of determining the value of intangible assets requires the use of multiple estimates, in particular: • the allocation of the purchase price; • the opening statement of financial position, considering fair value adjustments recognised; • the identification of intangible assets; and • the useful economic lives used in amortising intangible assets. Due to the size and complexity of the acquisition, we considered this to be a key audit matter. Refer to note 2.4 to the consolidated financial statements for the accounting policy and note 9 for the acquisition disclosure.	
Passenger and cargo revenue recognition Emirates, one of the Group's components operating in the aviation sector, provides commercial air transportation services, which include passenger and cargo services. Emirates contributes a significant portion of the total consolidated revenue 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 in 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).	- Performed end-to-end walkthroughs of the finance and operational processes surrounding the revenue system, utilising understanding of the industry and the aviation sector, to assess the design effectiveness of the related key internal controls and identify changes, if any. - Tested the operating effectiveness of these controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. - Tested key IT systems, including interfaces that impact the recognition of revenue from passenger and cargo sales, IT change control procedures and related application controls. - Applied computer assisted audit techniques over passenger and cargo revenue to identify and test unexpected entries and correlate revenue movements during the year to accounts receivable and cash. - Substantively tested a sample of revenue from passenger and cargo sales at a booking and flight level to validate occurrence and cut-off of revenue.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Passenger and cargo revenue recognition (continued)	
The determination of the amount of revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. 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 revenue documents requires judgment due to the timeframe over which revenue documents can be utilised and the large number of fare types sold. Management has determined the value of unused revenue documents that will not be utilised based on their terms and conditions and historical expiry trends. We focused on this area as a result of the complexity of the related IT systems, the potential for management override of controls and the level of judgment required by management in determining the timing of recognition of unused revenue documents, in addition to the significance of the revenue from Emirates to the Group. 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.	- Tested manual journal entries posted into relevant revenue accounts in the sub-ledgers and the general ledger. - Obtained data supporting historical expiry trends in respect of unused revenue documents. The accuracy of historical expiry data was tested and compared to that used in the calculation of the amount of revenue recognised from unused revenue documents. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Lease accounting and the impact of transition to IFRS 16 The Group adopted the new accounting standard IFRS 16 'Leases' from 1 January 2019. The new standard replaces IAS 17 and requires almost all leases to be recognised on the balance sheet by a lessee, as the distinction between operating and finance leases has been removed. Under IFRS 16, an asset (right-of- use) and a financial liability to pay rentals is recognised. Leases are capitalised as right-of-use assets based on the present value of the lease payments and are typically depreciated over the lease term. Interest on the outstanding financial liability to pay rentals is recognised at a constant rate over the lease term. The Group applied the modified retrospective approach for the conversion to IFRS 16 and accordingly, the comparative figures were not restated. The cumulative effect of the adoption of the new standard was recognised as an adjustment to opening equity as at 1 January 2019. The first-time application of IFRS 16 resulted in a material impact on the opening consolidated statement of financial position including recognising right-of-use assets of AED 70,921 million and lease liabilities of AED 67,416 million (refer to note 2.2 of the consolidated financial statements for full details). Emirates contributes the majority of the first-time application effect on right-of-use assets and lease liabilities.	- Obtained an understanding of leases held by Emirates, including the process of identifying lease contracts and other contracts that contain lease elements. - Obtained an understanding of the processes around the new IT system implemented and determined that a substantive approach to testing of leases was to be adopted. - Tested the calculation of the initial recognition of the right-of-use assets and lease liabilities by reference to a sample of leases, agreeing the lease terms (including advance lease rentals, deferred credits, pre-delivery payments, initial direct costs, fixed payments, variable payments, residual value guarantees and termination costs) back to the lease contract and re-performing the calculation of the opening adjustment. Also assessed the appropriateness of the discount rate applied at the date of initial application (the incremental borrowing rate). - Tested a sample of leases entered into during the year and assessed the accounting impact of new leases by agreeing the lease terms used in the computations back to the lease contract. Also assessed the appropriateness of the discount rates applied (either the incremental borrowing rate or the interest rate implicit in the lease, where determinable). - Tested the interest expense generated by the lease liabilities and the depreciation of the right-of-use assets. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Lease accounting and the impact of transition to IFRS 16 (continued)	
Accounting for leases under IFRS 16 involves the use of judgments, estimates and assumptions that impact the amounts recognised as right-of-use assets, lease liabilities and provision for return conditions. Key amongst these assumptions and estimates are the: • assessment of lease term and extension options; • discount rate used to determine the lease liability; • application of clauses for cancellations or modifications; and • estimate of the provision for aircraft return conditions. Emirates has established processes and controls for the complete and accurate recording of leases. Furthermore, the first-time application required an IT system to be implemented to report information on certain leases. We focused on this area because of the significant judgment involved in determining the assumptions being applied under IFRS 16. Refer to notes 2.2, 10, 11, 17 and 28 which include details of the effect of first-time application of IFRS 16.	
Valuation of aircraft held for lease (as lessor) The Group's component, Dubai Aerospace Enterprises Limited (DAE), is engaged in providing aircraft on leases. DAE has aircraft held for lease with an aggregate carrying value of AED 33.8 billion as at 31 December 2019.	- Obtained the impairment assessment prepared by management, together with the supporting documentation and underlying assumptions. - Confirmed the net book values of aircraft used in the impairment assessment with the fixed asset register.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of aircraft held for lease (as lessor) (continued)	
DAE has undertaken an impairment assessment, 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, management obtained aircraft valuations from external aviation consultancies and considered the average of these valuations. In order to assess value-in-use, management prepared a discounted cash flow forecast that contains significant judgment 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 end of life aircraft valuation as the average of rates published by external aviation consultancies. We considered this as a key audit matter because of the level of management judgment required and the sensitivity of the assessment to key assumptions. Refer to the 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 aircraft held for lease and note 10 which contains the details of property, plant and equipment (which includes aircraft held for lease).	- Directly confirmed the market values used by DAE's management with external aviation consultancies on a sample basis. The external valuer's competence, capabilities and objectivity were also evaluated. - Agreed the contractual lease rentals assumed within DAE's management's value in use calculation to lease contracts currently in place. - Utilised internal valuation specialists to validate and verify that the discount rate adopted within the value in use model was reasonable, by comparing the discount rate used to other comparable businesses. - Confirmed the reasonableness of estimates relating to the period between lease rentals and anticipated values of future non-contracted lease rentals with senior operational personnel of DAE. - Confirmed the future non-contracted lease rentals with external aviation consultancies on a sample basis. - Agreed the end of aircraft lease life valuation within the value in use calculation to reports issued by external aviation consultancies and mathematically recomputed the average rates. - Tested the mathematical accuracy of the overall calculations within the impairment assessment prepared by DAE management. - Considered management's assessment of the potential impact of reasonably possible downside changes in key assumptions and sensitivity analysis performed to assess the financial impact of changes in key assumptions. - Assessed whether the related disclosures in the notes to the consolidated financial statements are consistent with the requirements of IFRS.

Independent auditor's report to the Owner of Investment Corporation of Dubai (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 scepticism 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.

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)

- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

PricewaterhouseCoopers
6 May 2020

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Notes	***2019 AED'000***	*2018 AED'000*
Revenue	38	**228,011,030**	232,434,776
Cost of revenue		**(181,205,566)**	(195,475,149)
Other operating income	3	**5,901,828**	4,564,736
Net (loss) / gain from derivative instruments		**(1,756,384)**	1,009,152
General, administrative and other expenses		**(20,592,628)**	(19,860,064)
Net impairment losses on financial assets	4	**(5,091,749)**	(2,080,467)
OPERATING PROFIT		**25,266,531**	20,592,984
Other finance income	5	**1,769,523**	2,154,278
Other finance costs	6	**(9,735,495)**	(5,967,870)
Share of results of associates and joint ventures - net	15	**3,825,721**	4,727,224
Other income	9(a) & 15(a)	**4,797,573**	771,427
PROFIT FOR THE YEAR BEFORE INCOME TAX	38	**25,923,853**	22,278,043
Income tax expense - net	7	**(926,338)**	(886,958)
PROFIT FOR THE YEAR	8	**24,997,515**	21,391,085
Attributable to:			
The equity holder of Investment Corporation of Dubai ("ICD")		**17,985,319**	16,252,292
Non-controlling interests		**7,012,196**	5,138,793
		24,997,515	21,391,085

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019 AED'000***	*2018 AED'000*
PROFIT FOR THE YEAR		**24,997,515**	21,391,085
Other comprehensive income			
Items that may be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of debt instruments measured at fair value through other comprehensive income ("FVOCI")		**310,935**	(38,931)
Net movement in fair value of cash flow hedges		**196,818**	(20,517)
Net movement in cost of hedging		**16,162**	(16,703)
Foreign currency translation differences - net		**(465,522)**	(247,479)
Group's share in other comprehensive income of equity accounted investees	15	**(116,981)**	(399,482)
Items not to be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of equity instruments measured at FVOCI		**203,239**	(885,157)
Actuarial (loss) / gain on defined benefit plans	27	**(251,991)**	52,593
Group's share in other comprehensive income of equity accounted investees	15	**(159,916)**	(141,762)
Other comprehensive income for the year		**(267,256)**	(1,697,438)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24,730,259**	19,693,647
Attributable to:			
The equity holder of ICD		**17,887,552**	14,680,253
Non-controlling interests		**6,842,707**	5,013,394
		24,730,259	19,693,647

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

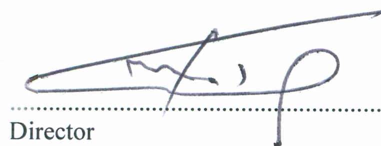
As at 31 December 2019

	Notes	*2019* *AED'000*	*2018* *AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**177,065,885**	179,176,581
Right-of-use assets	11	**62,052,088**	-
Intangible assets	12	**28,595,202**	26,432,579
Investment properties	13	**23,496,987**	19,780,074
Development properties	14	**3,535,606**	2,536,527
Investments in associates and joint ventures	15	**53,250,910**	52,993,913
Investment securities	16	**47,271,737**	24,432,482
Other non-current assets	17	**7,540,012**	16,083,257
Islamic financing and investment products	20	**28,531,651**	24,016,824
Loans and receivables	21	**136,977,692**	91,576,692
Cash and deposits with banks	22	**5,271,928**	2,746,014
Positive fair value of derivatives	29	**5,642,225**	2,298,225
Deferred tax assets	7	**1,086,404**	227,815
		580,318,327	442,300,983
Current assets			
Investment securities	16	**18,362,925**	5,122,734
Inventories	18	**12,432,406**	11,329,371
Trade and other receivables	19	**39,019,679**	34,848,080
Islamic financing and investment products	20	**42,876,527**	47,009,226
Loans and receivables	21	**244,140,482**	182,636,563
Cash and deposits with banks	22	**170,346,193**	144,301,634
Positive fair value of derivatives	29	**2,514,264**	2,027,505
Customer acceptances		**10,227,557**	7,736,164
		539,920,033	435,011,277
Assets classified as held for sale	23	**1,078,190**	1,915,057
		540,998,223	436,926,334
TOTAL ASSETS		**1,121,316,550**	879,227,317

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Notes	*2019 AED'000*	*2018 AED'000*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	24	**68,185,180**	64,569,417
Retained earnings		**127,356,815**	124,633,708
Other reserves	26	**9,096,003**	8,454,487
		204,637,998	197,657,612
Non-controlling interests	34	**46,934,705**	40,109,905
Total equity		**251,572,703**	237,767,517
Non-current liabilities			
Employees' end of service benefits	27	**4,465,484**	3,901,593
Borrowings and lease liabilities	28	**210,946,067**	162,368,999
Negative fair value of derivatives	29	**4,613,338**	2,016,038
Other non-current payables	30	**12,611,541**	11,481,644
Customer deposits	32	**21,630,971**	9,299,577
Islamic customer deposits	33	**7,770,038**	438,635
Deferred tax liabilities	7	**2,301,472**	1,840,725
		264,338,911	191,347,211
Current liabilities			
Employees' end of service benefits	27	**12,540**	14,139
Borrowings and lease liabilities	28	**91,351,050**	53,083,439
Negative fair value of derivatives	29	**1,746,968**	1,880,089
Trade and other payables	31	**73,535,436**	63,895,713
Customer deposits	32	**351,513,382**	270,160,082
Islamic customer deposits	33	**76,331,870**	52,422,284
Current income tax liabilities		**465,714**	476,383
Customer acceptances		**10,227,557**	7,736,164
		605,184,517	449,668,293
Liabilities related to assets classified as held for sale	23	**220,419**	444,296
		605,404,936	450,112,589
Total liabilities		**869,743,847**	641,459,800
TOTAL EQUITY AND LIABILITIES		**1,121,316,550**	879,227,317



Director

Director

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	*2019* *AED'000*	*2018* *AED'000*
OPERATING ACTIVITIES			
Profit before income tax		**25,923,853**	22,278,043
Adjustments for:			
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties	8	**27,378,370**	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rental	8	**1,798,760**	1,591,645
Impairment loss on loans and receivables – net of recoveries	4	**4,332,473**	1,595,748
Impairment loss on Islamic financing and investment products – net of recoveries	4	**818,475**	564,839
Impairment (reversal) / loss on investment securities - net	4	**(10,532)**	16,442
Impairment loss on trade and other receivables – net of recoveries	4	**204,230**	240,072
Impairment loss on other non-current assets – net of recoveries	4	**15,127**	10,020
Impairment (reversal) / loss on cash and deposits with banks - net	4	**(20,897)**	49,914
Net loss / (gain) on disposal of property, plant and equipment, right-of-use assets, investment properties, intangible assets and sale and leaseback of aircraft	3	**36,884**	(534,039)
Net gain on disposal of assets and liabilities classified as held for sale	3	**(278,572)**	(120,569)
Net gain on sale of debt instruments measured at FVOCI	3	**(79,001)**	(11,828)
Net change in fair value of investment securities measured at fair value through profit or loss ("FVTPL")	3	**(108,620)**	309,169
(Reversal of) / Provision for slow moving and obsolete inventories		**(1,149,408)**	1,181,263
Other finance income	5	**(1,769,523)**	(2,154,278)
Other finance costs	6	**9,735,495**	5,967,870
Other income	9(a) & 15(a)	**(4,797,573)**	(771,427)
Share of results of associates and joint ventures - net	15	**(3,825,721)**	(4,727,224)
Provision for employees' end of service benefits	27	**1,367,798**	1,406,782
Unrealised loss / (gain) on derivatives - net		**999,000**	(1,074,394)
		60,570,618	41,830,234
Changes in:			
Inventories		**265,183**	(1,336,272)
Trade and other receivables		**(2,578,243)**	1,796,238
Trade and other payables		**4,880,123**	2,388,582
Loans and receivables (banking operations)		**(23,094,245)**	(21,051,857)
Statutory deposits (banking operations)		**1,504,732**	(153,286)
Deposits with banks with original maturity over three months (banking operations)		**(1,283,698)**	(19,399,588)
Customer deposits including Islamic customer deposits (banking operations)		**25,994,683**	20,385,635
Due to banks with original maturity over three months (banking operations)		**13,087,642**	362,295
Fair value of derivatives - net		**(1,712,386)**	1,040,111
Islamic financing and investment products with original maturity over three months (banking operations)		**(2,909,843)**	(3,392,808)
Other non-current assets		**3,792,118**	3,085,640
Other non-current payables		**(63,315)**	(722,195)
		78,453,369	24,832,729

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 December 2019

	Notes	*2019* *AED'000*	*2018* *AED'000*
OPERATING ACTIVITIES (continued)			
Employees' end of service benefits paid	27	**(1,146,749)**	(1,112,552)
Income tax paid		**(428,944)**	(565,011)
Foreign exchange and other movements		**(575,206)**	(252,460)
Net cash from operating activities		**76,302,470**	22,902,706
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(29,929,340)**	(23,837,178)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties and development properties		**1,403,631**	3,476,308
Acquisition of subsidiaries – net of cash acquired		**(3,821,709)**	(561,472)
Proceeds from disposal of investments in associates and joint ventures		**4,522,895**	1,050,219
Proceeds from disposal of assets and liabilities classified as held for sale		**3,077,779**	2,867,617
Other finance income received		**1,703,851**	1,418,081
Net movement in investment securities		**(20,696,582)**	(1,599,768)
Investments made in associates and joint ventures		**(456,619)**	(1,821,587)
Dividend from associates and joint ventures	15	**2,280,617**	2,532,299
Net movement in Islamic financing and investment products with original maturity over three months (non-banking operations)		**(911,678)**	(3,195,601)
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**(5,196,098)**	6,187,615
Net cash used in investing activities		**(48,023,253)**	(13,483,467)
FINANCING ACTIVITIES			
Capital contributions from the Government of Dubai (the "Government")	24	**3,615,763**	19,381
Repayment of Tier 1 Capital Notes	34(a)	**(3,672,500)**	-
Issuance of Tier 1 Capital Notes	34(a)	**3,663,696**	-
Interest on Tier 1 Capital Notes		**(664,786)**	(595,284)
Distributions paid to the Government		**(4,988,174)**	(6,169,838)
Net movement in borrowings and lease liabilities		**(9,804,543)**	(12,702,193)
Other finance costs paid (non-banking operations)		**(9,646,397)**	(5,196,635)
Dividend paid to the non-controlling interests		**(1,234,963)**	(1,291,958)
Acquisition of non-controlling interests		**(472,850)**	(599,760)
Contributions from non-controlling interests		**2,864,659**	-
Net cash used in financing activities		**(20,340,095)**	(26,536,287)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,939,122**	(17,117,048)
Cash and cash equivalents at the beginning of the year		**41,206,138**	58,323,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**49,145,260**	41,206,138

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 24)	***Retained earnings AED'000***	***Other reserves AED'000 (see note 26)***	***Total AED'000***	***Non-controlling interests AED'000***	***Total equity AED'000***
Balance at 1 January 2019	64,569,417	124,633,708	8,454,487	197,657,612	40,109,905	237,767,517
Impact on adoption of IFRS 16 (see note 2.2)	-	(9,704,312)	-	(9,704,312)	(10,475)	(9,714,787)
Restated balance at 1 January 2019	64,569,417	114,929,396	8,454,487	187,953,300	40,099,430	228,052,730
Profit for the year	-	17,985,319	-	17,985,319	7,012,196	24,997,515
Other comprehensive income for the year	-	(238,442)	140,675	(97,767)	(169,489)	(267,256)
Total comprehensive income for the year	**-**	**17,746,877**	**140,675**	**17,887,552**	**6,842,707**	**24,730,259**
Contributions from the Government (see note 24)	3,615,763	-	-	3,615,763	-	3,615,763
Distributions to the Government (see note 25)	-	(4,988,526)	-	(4,988,526)	-	(4,988,526)
Dividend paid to non-controlling interests	-	-	-	-	(1,234,963)	(1,234,963)
Tier 1 capital notes issued (see note 34(a))	-	-	-	-	3,663,696	3,663,696
Tier 1 capital notes redeemed (see note 34(a))	-	-	-	-	(3,672,500)	(3,672,500)
Interest on Tier 1 capital notes	-	-	-	-	(664,786)	(664,786)
Change in Group's ownership in existing subsidiaries	-	446,735	(2,642)	444,093	(913,713)	(469,620)
Transfers (see note 26)	-	(467,574)	467,574	-	-	-
Increase in non-controlling interests (note 34(b))	-	-	-	-	2,864,659	2,864,659
Transfers upon disposal of equity instruments measured at FVOCI (see note 26)	-	122,373	(122,373)	-	-	-
Other movements	-	(432,466)	158,282	(274,184)	(49,825)	(324,009)
Balance at 31 December 2019	**68,185,180**	**127,356,815**	**9,096,003**	**204,637,998**	**46,934,705**	**251,572,703**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2019

	Attributable to the equity holder of ICD					
	Capital	*Retained earnings*	*Other reserves*	*Total*	*Non-controlling interests*	*Total equity*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
	(see note 24)		*(see note 26)*			
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 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
Contributions from the Government (see note 24)	1,219,481	-	-	1,219,481	-	1,219,481
Return of capital to the Government (see note 24)	(1,180,243)	-	-	(1,180,243)	-	(1,180,243)
Distributions to the Government (see note 25)	-	(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 26)	-	(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 (see note 26)	-	(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 accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

1 ACTIVITIES

Investment Corporation of Dubai, an entity wholly owned by the Government of Dubai, 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 the United Arab Emirates ("UAE") and The Ruler of Dubai.

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

The address of ICD's registered office is PO Box 333888, Dubai, UAE.

The consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") have been approved by the Board of Directors on 6 May 2020.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of ICD and its subsidiaries for the year ended 31 December 2019 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:

- financial assets measured at FVTPL;
- financial assets measured at FVOCI;
- assets held for sale (measured at lower of their carrying amount and fair value less costs to sell in accordance with IFRS 5);
- 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 presented 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 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 as at 31 December 2018 nor profit for the year ended 31 December 2018. These mainly relate to reclassification between:

- current cash and deposits with banks and current Islamic financing and investment products in the consolidated statement of financial position amounting to AED 2,991,288 thousand;
- other non-current payables and trade and other payables in the consolidated statement of financial position amounting to AED 901,937 thousand; and
- investing activities and financing activities in the consolidated cash flow statements relating to the acquisition of non-controlling interests, amounting to AED 599,760 thousand.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of previous year, except for the adoption of new standards, amendments to the existing standards and interpretations effective as of 1 January 2019 and early adoption of amendments to IFRS 3 – Definition of a Business. The adoption of these new standards, amendments to the existing standards and interpretations had no material impact on the consolidated financial statements for the year ended 31 December 2019, except for IFRS 16 – Leases and amendments to IFRS 3 – Definition of a Business, as described below.

IFRS 16: Leases

The Group applied IFRS 16 on its date of initial application being 1 January 2019, using the modified retrospective approach. As a result, the Group has changed its accounting policy for leases.

Identification of a lease
Previously, the Group applied IAS 17, and determined at the contract inception whether an arrangement was or contained a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Group as a lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. With the adoption of IFRS 16, the Group as a lessee recognises most leases on balance sheet, except where the Group has elected not to recognise short-term leases that have a lease term of 12 months or less and leases of low value assets as permitted under IFRS 16. For leases that are not recognised on balance sheet, the lease rental charges are recognised as an operating expense over the period of the lease.

The Group made the following adjustments on transition:

(a) Leases classified as operating leases under IAS 17
At the transition date of 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The Group chose to measure right-of-use assets on a lease-by-lease basis, at either:

- their carrying amount, as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.

On transition, the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases ending within 12 months from the date of initial application;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases (continued)

Group as a lessee (continued)

(b) Leases previously classified as finance leases
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 is determined at the carrying amount of the lease asset and lease liabilities under IAS 17 immediately before the date of initial application. Such assets, except for the assets subject to financing arrangements that are in-substance purchases, are now reclassified from ‘property, plant and equipment’ to ‘right-of-use assets’ in the consolidated statement of financial position.

Group as a lessor
The initial application of IFRS 16 as at 1 January 2019 had no significant impact on the Group’s leases where it acts as a lessor.

The Group applied guidance available under IFRS 15 - Revenue from Contracts with Customers to allocate consideration in the lease contracts to each lease and non-lease component.

Impact on transition of IFRS 16
The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of its initial application has been recognised in retained earnings as at 1 January 2019. Therefore, the comparative information has not been restated.

The change in accounting policy affected the following items of the consolidated statement of financial position as at 1 January 2019:

	AED’000
Assets	
Property, plant and equipment	(5,179,076)
Right-of-use assets	70,921,223
Investment properties	68,182
Investment in associates and joint ventures	(36,561)
Other non-current assets	(4,813,115)
Deferred tax assets	188,373
Trade and other receivables	(2,657,282)
Total assets	**58,491,744**
Equity	
Retained earnings	(9,704,312)
Non-controlling interests	(10,475)
Total equity	**(9,714,787)**
Liabilities	
Borrowings and lease liabilities	67,415,773
Other non-current payables	1,360,848
Deferred tax liabilities	167,683
Trade and other payables	(737,773)
Total liabilities	**68,206,531**

When measuring lease liabilities that were classified as operating leases, the Group discounted lease payments using incremental borrowing rates as at 1 January 2019. The incremental borrowing rate applied to the lease liabilities related to aircraft, aircraft engines and parts on 1 January 2019 is 5.5%. The incremental borrowing rate applied to the lease liabilities related to other assets on 1 January 2019 mostly ranges from 3% to 6.5%.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16: Leases (continued)

Impact on transition of IFRS 16 (continued)
The Group's lease liabilities as at 1 January 2019 can be reconciled to the Group's operating lease commitments as of 31 December 2018 as follows:

	Aircraft, aircraft engines and parts AED'000	*Other assets AED'000*	*Total AED'000*
Operating lease commitments as at 31 December 2018	72,458,937	8,889,695	81,348,632
Less: Short-term leases and leases that expire within 12 months of transition date	(46,857)	(219,252)	(266,109)
Less: Low-value leases	-	(702)	(702)
Add: Net adjustments as a result of a different treatment of extension and termination options	-	2,443,919	2,443,919
Total	**72,412,080**	**11,113,660**	**83,525,740**
Discounted using the lessee's incremental borrowing rate	58,501,768	8,914,005	67,415,773
Add: Finance lease liabilities as at 31 December 2018	2,025,756	1,736,655	3,762,411
Lease liabilities recognised as at 1 January 2019	**60,527,524**	**10,650,660**	**71,178,184**

Definition of a Business (Amendments to IFRS 3)

The Group early adopted Amendments to IFRS 3, Definition of a Business with the date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy on business combinations.

These amendments clarify the definition of a business, and include:

- an optional test, referred to as the 'concentration test', to assess whether substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; and
- an assessment focused on whether the set of assets and activities includes a substantive process.

The early adoption of these amendments resulted in the acquisition of working interests in certain oil and gas concessions being treated as an asset acquisition rather than a business combination (see note 10(b)).

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 and have not been early adopted by the Group are listed below:

Standard	Description	Effective date
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms (referred as Phase I of IBOR project) address the hedge accounting requirements arising before Inter Bank Offer Rate ("IBOR") and proposed a hedging relief for such pre-replacement hedges. Upon adoption of these amendments by the Group, material impact is expected to arise from Emirates NBD PJSC and its subsidiaries (together defined as the "Bank"). The Bank has implemented the amendments from the effective date of 1 January 2020 and applied the hedging relief available under the amendments such as relief on forward-looking analysis during the period of uncertainty beyond the year 2021. The Bank's exposure to cash flow hedges and fair value hedges linked to IBOR maturing beyond the year 2021 is not considered material. Phase 2 of the project (which is yet to be issued), relates to the replacement of benchmark rates with alternative risk-free rates. The impact of rate replacement on the Bank's products and services remain a key area of focus. Management of the Bank is running a project on the Bank's transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes of the Bank.	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of Material	The amendments defines that an information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Upon adoption of these amendments, no material impact is expected on the Group's consolidated financial statements.	1 January 2020

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 39.

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. These circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE.

Generally, there is a presumption that a majority of voting rights results 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:

- contractual arrangements with 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 reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 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; and
- reclassifies the parent's share of components previously recognised in other comprehensive income 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

Effective from 1 January 2019, in determining whether the acquired set of activities and assets is a business, the Group may elect to apply a concentration test to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this test is met, the Group recognises the transaction as an asset acquisition. If the test is not met or if the Group considers it would be inefficient to perform the test, the Group assesses whether the set of assets and activities meets the definition of a business given in IFRS 3. The Group performs this test on an acquisition-by-acquisition basis.

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 to measure 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 consolidated income statement as a 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to comply with 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.

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 in 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, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenue 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 agreements and requiring unanimous consent for strategic, financial and operating decisions.

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

Under the equity method, an investment in a joint venture is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. The 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 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 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 the recognition of its share of those profits only after its share of the profits equals the share of losses not recognised.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint arrangements (continued)
To ensure consistency with the policies adopted by the Group, adjustments are made to the numbers reported by the joint ventures to the Group where necessary.

Upon loss of joint control over a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture whose joint control has been lost and the sum of the fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement.

When the Group retains significant influence over remaining investment in the joint venture, the investment is accounted for as an investment in an 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 is 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.

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. The 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 an associate, the Group recognises its share of any such changes and discloses this, where applicable, in the consolidated statement of 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 the recognition of its share of those profits only after its share of 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 associates and, therefore, is the result after tax and non-controlling interests in the subsidiaries of associates.

The financial statements of the Group's associates are prepared for the same reporting period as that of the Group. When necessary, adjustments are made to bring the accounting policies of 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 such an associate and the sum of the fair value of the retained investment and the proceeds from disposal is recognised in the consolidated income statement. If the Group's ownership in an associate is reduced but the Group retains significant influence, only a proportionate share of the amounts previously recognised in other comprehensive income is 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.

The 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 classified 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 reassessing the classification (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 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 using the exchange rate of the functional currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured using the exchange rate of the functional currency ruling at the reporting date. All remeasurement foreign exchange 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 within equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. 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 adjustment 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 are 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 this translation are taken directly to a separate component of equity. On disposal of a foreign entity, the cumulative amount of such exchange differences recognised in equity relating to this foreign entity are recognised in the consolidated income statement.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
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;
- 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 goods or services to a 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 as a net amount reflecting the margin earned.

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

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 date and the date of 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 arising from the customer.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract modification
A contract modification occurs when the Group and the customer approve a change in a 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, verbal, or implied by customary business practices.

The Group treats a 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
Fee income is measured by the Group based on the consideration specified in contracts with customers 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 and included in interest income.

Finance / interest income and expense
Finance / interest income and expense are recognised in the consolidated income statement 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.

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 loss allowance.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Finance / interest income and expense (continued)

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 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.

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 of the financial asset. The calculation of interest income does not revert to a gross carrying amount, even if the credit risk of the asset improves.

The finance / interest income and expense arising from banking operations are presented within 'revenue' and 'cost of revenue', respectively, in the consolidated income statement. The finance / interest income and expense arising from non-banking operations are presented within 'other finance income' and 'other finance cost', respectively, in the consolidated income statement.

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 of time and against the payment of certain rent instalments. 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.

Mudaraba
An agreement between two parties where one of them, the Rab-Ul-Mal, provides the funds and the other, the Mudarib, provides efforts and expertise. 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 the event of a loss, the Rab-Ul-Mal bears the loss of his funds while the Mudarib bears 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 bears 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from Islamic financing and investment products (continued)

Mudaraba (continued)
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 represents 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 are 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 the control of goods or services is transferred to the customer and is stated net of discounts and returns.

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

Revenue from travel services includes the sale of travel holiday packages and also travel individual component bookings. 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, the net commission is recognised as revenue upon satisfaction of the performance obligation, i.e., upon confirmation of the travel booking taking place.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from oil and gas products and services
A sale of goods is recognised when the Group has delivered products to the customers; 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 Agreements ("PSA"). Revenue from services is recognised in the period during which 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 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 over time are met, then the Group recognises revenue when it transfers control of goods or services 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.

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 related to the satisfied performance obligation. Where the amount of consideration received from the customer exceeds the amount of revenue recognised, a contract liability is recognised.

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

Management fees from management contracts with third-party hotel owners are typically earned based on hotel revenue (e.g. base fees). They may also include an incentive fee subject to certain 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.

Revenue from organisation of exhibitions and the provision of 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Licensing Fees
The Group earns revenue from the sale of licenses, which provide the customers with the right to use 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, 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 other goods or services, the 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 the promise is to provide the 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.

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 at cost on initial recognition. 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 their 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 are 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 of intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)
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

Intangible assets include goodwill, and certain brands and trademarks that have an indefinite life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

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

Intangible assets with indefinite useful lives are not amortised but instead tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the assessment that their life is indefinite continues to be supportable. If as a result of this assessment, it can no longer be supported, a change in the useful life 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.

E&E assets related to each exploration licence/prospect are not amortised; they are carried forward until the existence (or otherwise) of commercial reserves has been established. 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, net of any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and is 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 period during which such expenditure is capitalised starts when the above criteria are met and ends when the product is considered available for use.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure (continued)
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 various factors including the 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 less accumulated depreciation and accumulated impairment losses. This excludes the costs of day-to-day servicing. An item of property, plant and equipment should be recognised 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 comprise labour costs and minor parts are recognised in the consolidated income statement as incurred. However, when expenditure involves replacing a significant part of an 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.

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 within oil and gas interests)	25 years
Aircraft, aircraft engines and parts (other than aircraft held for lease)	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 the lease term or the 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 of bringing them into production, in addition to the E&E expenditure incurred in finding commercial reserves transferred from intangible E&E assets. Cost of development and production assets also includes the costs of licence acquisition, drilling, infrastructure projects and a proportion of directly attributable administrative and overhead costs.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Development and production assets (continued)
The Group's development and production activities are conducted in accordance with 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.

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.

At the end of each year, an assessment is made as to whether the economic value of interests is in excess of the amount of costs capitalised. Costs capitalised as depletable interests in excess of the estimated value of the Group's discounted future net revenue 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.

Manufacturers' credits and liquidated damages
Group's subsidiaries engaged in the aviation business receive credits from manufacturers in connection with the acquisition of certain aircraft and engines, or as an overall business consideration.

When credits from manufacturers relate to consideration for loss of income or for incremental operating costs, it is recognised in the period to which costs pertain in the consolidated income statement either as other operating income or as a reduction from operating costs, provided a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. These credits are recorded as a reduction to the cost of the related aircraft and engines when it relates to acquisition of aircrafts and engines.

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

The maintenance right asset, 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease (continued)
Major improvements to be performed by the Group pursuant to 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 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 be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is yet to be leased or those transitioning to a new 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.

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.

Expenditure incurred to transition an aircraft from one lessee to another, due to either a lease termination or a bankruptcy is expensed.

Aircraft purchase deposits
Aircraft purchase deposits are included in 'capital-work-in progress' and represent the progress payment made to aircraft manufacturers.

Investment properties
Properties held for rental income or for capital appreciation, or held with undetermined future use, which are not occupied by the Group companies are classified as investment properties. The properties occupied by the Group are classified as 'property, plant and equipment'. 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. Land is not depreciated and is stated at cost less impairment.

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

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 70 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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 they are 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 when the asset is derecognised.

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 revenue.

Leases

Identification of leases

Policy applicable before 1 January 2019
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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Identification of leases (continued)

Policy applicable before 1 January 2019 (continued)
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).

Policy applicable from 1 January 2019
At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset. The asset may be identified by being explicitly or implicitly specified in the contract, and should be physically distinct or represent substantially all of the capacity of an asset. If the supplier has a substantive substitution right, the Group does not have the right to use an identified asset;
(b) the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
(c) the Group has the right to direct the use of the identified asset throughout the period of use. The Group has this right when either:
    - it has the right to direct how and for what purpose the asset is used; or
    - where the decision about how and for what purpose the asset is used is predetermined, the Group:
        - has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
        - designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose it will be used.

The Group acquires the right to purchase certain assets that are manufactured as per bespoke specifications and design, and are delivered through various financing arrangements. These are ‘in-substance purchases’ as it is certain that the title of these assets will eventually be transferred to the Group at the end of the financing term, and hence these assets are accounted for as property, plant and equipment under IAS 16. The related liabilities are treated as term loans under IFRS 9.

Group as a lessee

Policy applicable before 1 January 2019
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.

Policy applicable from 1 January 2019
The Group recognises right-of-use assets and lease liabilities at the lease commencement date for contracts that meet the definition of lease under IFRS 16.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Right-of-use-assets
For qualifying leases, a right-of-use asset is initially recognised and measured at cost, comprising of the initial measurement of lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or restore the underlying asset or the site on which it is located to the condition required by the terms of the lease. For contracts that contain one or more additional lease components, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component, estimated by maximising the use of observable information, if an observable standalone price is not readily available.

The right-of-use asset is subsequently depreciated over the shorter of the useful life or lease term of the right-of-use asset, except where the lessee has the option to purchase the leased asset at the end of the lease term and it is reasonably certain that it will do so; in this event, the right-of-use asset is depreciated over the useful life of the underlying asset. The estimated useful life of a right-of-use asset is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically assessed for impairment and, if necessary, adjusted for remeasurements of the lease liability.

Right-of-use assets are recognised as a separate line item in the consolidated statement of financial position, except for the right-of-use assets that meet the definition of investment property, in which case they are presented as 'investment properties'.

Lease liabilities
A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments to be made for an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

A lease liability is measured at amortised cost using the effective interest method. A lease liability is remeasured if there is a change in the lease term, in future lease payments arising from a change in an index or rate, in amount expected to be payable under a residual value guarantee, or assessment of whether the Group will exercise an option to purchase the underlying asset. When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, the Group recognises the remaining amount of such remeasurement in the consolidated income statement.

The Group presents lease liabilities in 'borrowings and lease liabilities' in the consolidated statement of financial position.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Policy applicable from 1 January 2019 (continued)

Lease modifications
The Group accounts for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as a separate lease, at the effective date of the lease modification, the Group:
- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term or, if that rate cannot be readily determined, the Group uses the incremental borrowing rate at the effective date of the modification.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense over the lease term.

Group as a lessor
Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an underlying asset are classified as finance leases. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Amounts due from lessees under finance leases are recognised as receivables at the amount equal to the net investment in the leases. Finance lease income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term or by using another systematic basis if it is more representative of the time pattern in which the benefit of the underlying asset is diminished.

If an arrangement contains lease and non-lease components, the Group applies guidance provided in IFRS 15 – Revenue from Contracts with Customers to allocate the consideration in the contract.

Sale and leaseback transactions

Policy applicable before 1 January 2019
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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Sale and leaseback transactions (continued)

Policy applicable from 1 January 2019
In order to determine whether the transfer of an asset is accounted for as a sale of that asset, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15. If the transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset:

(a) the Group (as seller-lessee) derecognises the underlying asset and recognises a right-of-use asset with a corresponding liability equal to the retained interest in the asset. Accordingly, the Group (as seller-lessee) recognises a gain or a loss that relates to the rights transferred to the buyer-lessor in the consolidated income statement; and
(b) the Group (as buyer-lessor) accounts for the purchase of the asset under the relevant IFRSs, and for the lease applies the lessor accounting requirements of IFRS 16.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms is accounted for as a prepayment of lease payments; and
(b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

If the transaction does not qualify as a sale under IFRS 15, a financial liability equal to the sale value is recognised in the consolidated financial statements as ‘other borrowings’ under 'borrowings and lease liabilities'.

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.

The following policies apply when assessing the impairment of specific assets:

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

Goodwill impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount plus the carrying amount of the goodwill allocated to the CGU, 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 each reporting period either individually or at the CGU level, as appropriate.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 an investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investment in associates or joint ventures (as the case may be) and its carrying value and recognises the resulting impairment in the consolidated income statement.

Reversal of impairment losses
As far as reversal of impairment of non-financial assets is concerned, for assets other than 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.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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.

Classification and measurement of financial assets and liabilities
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.

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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

ii) Financial assets measured at FVOCI (continued)

(a) Debt instruments (continued)
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 comprehensive income.

(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 at FVOCI and accordingly present subsequent changes in the fair value of the instrument in the consolidated statement of 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 comprehensive income.

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.

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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and liabilities (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)
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 with the intention to repurchase them in the near term or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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 significantly modifies the cash flows of the contract or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is not prohibited.

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 consolidated statement of comprehensive income.

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.

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
The Group reclassifies financial assets other than equity instruments measured at FVOCI 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 or 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)
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 arising on the derecognition of financial assets measured at amortised cost is recognised in the consolidated income statement.

Upon derecognition of debt instruments measured at FVOCI, cumulative gains or losses recognised in the consolidated statement of comprehensive income are reclassified to the consolidated income statement.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. Any gains or losses arising on the derecognition of a financial liability is recognised in the consolidated income statement.

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
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 measured at FVOCI;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets (as defined in IFRS 15).

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
No impairment loss is recognised on equity instruments that are financial assets.

The Group measures impairment allowances either using the general or 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 the 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 since inception.

12-month ECL: These losses are the portion of ECL that results 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, loan receivables (non-banking operations) and finance lease receivables. The estimation of ECL under the provision matrix approach is based on the historical credit loss experience adjusted for forward-looking information.

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 instruments in stage 1 have their ECL measured as 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 all possible default events that can take place over the lifetime of the instrument.
- ECL is measured after factoring in forward-looking information.
- ECL on purchased 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”)

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial asset (continued)
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 period, 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 PD is 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.

EAD is determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayment loans, this is 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.
- For revolving products in the Bank, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGD is computed at a facility level. This is based upon information such as exposure, collateral and business segment characteristics, and macro-economic outlook.

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. Lifetime 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 another financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties or other economic factors.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial asset (continued)

Revolving Facilities in the Bank
The Group's banking operations have product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities at a short notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent periods, 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.

The ECL, including those arising from banking operations, are presented as 'net impairment losses on financial assets' in the consolidated income statement.

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 when a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their 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, a hedging relationships are categorised as either:

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

Hedge accounting rules are governed by 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 the 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 hedging relationship. Sources of ineffectiveness in hedge accounting include the impact of derivatives 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Hedges that meet the criteria for hedge accounting as defined by IFRS 9 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 consolidated income statement 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 cash flow hedging instrument, 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 consolidated income statement in the periods in which the hedged item will affect profit or loss. However, when a 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.

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 consolidated income statement.

Net investment hedges
Hedging instruments of a net investment in foreign operation 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 as other comprehensive income and presented in the 'translation reserve' within equity. 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 'cost of revenue' 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 an original maturity of three months or less, net of bank overdrafts and due to banks with an original maturity of three months or less.

Maintenance reserve
One of the Group's subsidiary engaged in an aircraft leasing business has maintenance reserve. The maintenance reserve comprises 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 presentation by the lessee 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 as lease revenue during the lease term the maintenance reserves that are not expected to be reimbursed to lessee, when the Group has reliable information that the lessee will not require reimbursement 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 an aircraft is 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 are established. They represent 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. The Group regularly reviews the level of lessor contributions required 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 the sale of flight tickets or purchase of miles by programme partners) as a separately identifiable component of the sale transactions 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 'deferred revenue' under 'trade and other payables' 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frequent flyer programme (“Skywards”) (continued)
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 expires.

Abandonment and decommissioning costs
A 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. In accordance with the terms of a PSA, abandonment and decommissioning obligations are limited to the accumulated abandonment and decommissioning funds set aside in an escrow account.

Employees’ end of service 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 fully 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.

End of service benefits for other employees are provided for as per UAE labour law or in accordance with other relevant local regulation.

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 is recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Interest or 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 the 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 arising from derecognition of the liabilities are recognised in the consolidated income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of liabilities 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Policy applicable before 1 January 2019

The provision for aircraft return conditions represents the estimate of the cost required 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.

Policy applicable from 1 January 2019

The provision for aircraft return conditions (restoration cost) represents the estimate of the cost required to meet the contractual lease end obligations on certain aircraft and engines at the end of the associated lease. The present value of the expected cost considering the existing fleet plan and long-term maintenance schedules is capitalised as part of right-of-use asset and depreciated over the lease term.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but 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 and undrawn loan commitments

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 a payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are carried at amortised cost when a payment under the contract has become probable.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a financing with pre-specified terms to the customer.

Financial guarantees issued and undrawn loan commitments are initially measured at fair value (which is the premium received on issuance). The received premium is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

Taxes

Income tax expense comprise current and deferred tax. Income tax expense also includes 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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)
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.

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.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The following are information about the key sources of estimation 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.

Classification of financial assets
When the Group classifies financial assets, it makes judgments 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; and
- determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

Calculation of ECL

Assessment of 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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Calculation of ECL (continued)

Assessment of significant increase in credit risk (continued)
The Group reviews its financial assets to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financial asset or homogenous group of financial assets. 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.

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. The measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors and forward-looking information – specific to the Bank
PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation will have forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario is based on macroeconomic forecasts published by the external experts and other publicly available data. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed.

In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Bank’s Governance process for oversight.

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
When estimating ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All applicable contractual terms are 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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 and valuation models, depending on the financial instrument type and available market data. The input to these models is taken from observable market data where possible, and where not possible, a degree of judgment is required in establishing fair values.

For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

Revenue from contracts with customers

Satisfaction of performance obligations
The Group assesses 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 variable considerations, significant financing components and non-cash considerations included in the contract.

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 the control over the asset is transferred to the customer. Significant judgment is required to evaluate when the 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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 (i.e. whether the carrying value of the Properties is not recoverable and is in excess of its fair value). 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, an allowance for impairment is made to bring the carrying value to the higher of value-in-use and fair value less cost to sell.

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.

Aircraft held for lease
In arriving at the carrying value of the aircraft held for lease, the Group estimates useful lives, fair value of leases and residual values of aircraft. In doing so, the Group relies upon actual industry experience, supported by estimates received from independent appraisers, for the same or similar aircraft types and considering the Group's anticipated utilisation of the aircraft.

For the purpose of impairment assessment of aircraft held for lease, the key assumptions include estimates of discount rate applied to forecast cash flows, future lease rates and residual value at the end of the aircraft's life. A significant level of judgment is exercised by management given the long-term nature and diversity of inputs that go into determining these estimates. A 0.5% change in discount rate, 10% change in the future rental income of each aircraft and 10% change in the residual value of aircraft at the end of its useful life would not have resulted in a material impact on the impairment charge for the year ended 31 December 2019.

Development and production assets – depletion
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.

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 'deferred revenue' under 'trade and other payables' 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 judgment 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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 judgment 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.

Determination of lease term under IFRS 16 (applicable from 1 January 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. To determine the term of a lease, the Group considers all relevant factors that create an economic incentive for an extension option or a termination option. Extension options (or periods covered by an option to terminate the lease) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). To ascertain whether it is reasonably certain for the Group to exercise these options, the Group takes into consideration lease termination penalties that would be incurred, leasehold improvements that are estimated to have significant remaining value, historical lease durations and the cost associated to business disruption caused by replacing the leased asset.

Classification of finance lease – Group as a lessee (applicable before 1 January 2019)

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.

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 carried out 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 a 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.

Impairment of other non-financial assets

The Group assesses whether there is any indicator of impairment in the carrying value 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 is recognised separately from goodwill. Where the fair value of an intangible asset cannot be determined by reference to the value of assets on an active market, this fair value is established using valuation techniques e.g. discounting the future cash flows of the assets. In the process, estimates are made of future cash flows, the useful life and the discount rate based on the Group's experience and expectation at the time of acquisition.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 reviews the residual values and useful lives of major intangible assets and makes adjustments where necessary.

Provision for obsolete inventory
The Group reviews its inventory to assess on a regular basis losses due to obsolescence. In determining whether a 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 a product and the net realisable value for such product. Accordingly, a provision for impairment is recognised where the net realisable value is less than its cost based on management's best estimates. 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 purposes 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 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.

Income taxes
The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group's 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 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 OPERATING INCOME

	2019 *AED'000*	*2018* *AED'000*
Net (loss) / gain on disposal of property, plant and equipment, right-of-use assets, investment properties, intangible assets and sale and leaseback of aircraft	**(36,884)**	534,039
Net gain on disposal of assets and liabilities classified as held for sale	**278,572**	120,569
Manufacturers' credits and liquidated damages	**436,914**	646,867
Vendors' support fee income	**315,252**	321,859
Net gain on sale of debt instruments measured at FVOCI	**79,001**	11,828
Net change in fair value of investment securities measured at FVTPL	**108,620**	(309,169)
Site rentals	**209,725**	197,128
Net foreign exchange gains	**2,048,453**	999,424
Others	**2,462,175**	2,042,191
	5,901,828	4,564,736

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2019 *AED'000*	*2018* *AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 21.2)	**4,332,473**	1,595,748
Impairment loss on Islamic financing and investment products – net of recoveries (see note 20.2)	**818,475**	564,839
Impairment loss on trade and other receivables - net of recoveries (see note 19.2)	**204,230**	240,072
Impairment loss on other non-current assets – net of recoveries (see note 17.3)	**15,127**	10,020
Impairment (reversal) / loss on investment securities - net	**(10,532)**	16,442
Impairment (reversal) / loss on cash and deposits with banks - net	**(20,897)**	49,914
Bad debt recovery - net of other losses	**(247,127)**	(396,568)
	5,091,749	2,080,467

5 OTHER FINANCE INCOME

	2019 *AED'000*	*2018* *AED'000*
Interest income and profit earned from bank deposits and investing activities	**775,952**	1,104,243
Interest income and profit earned from associates and joint ventures (see note 36(a))	**560,926**	529,613
Interest income and profit earned from the Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 36(a))	**341,336**	412,788
Other interest income and profit	**91,309**	107,634
	1,769,523	2,154,278

6 OTHER FINANCE COSTS

	2019 *AED'000*	*2018* *AED'000*
Finance costs on borrowings	**4,615,947**	3,032,506
Finance charges on lease liabilities / finance lease liabilities	**3,543,701**	1,464,835
Interest / profit on loans from associates and joint ventures (see note 36(a))	**434,733**	491,334
Interest / profit on loans from Government, MOF and other related parties (see note 36(a))	**479,221**	374,194
Others	**661,893**	605,001
	9,735,495	5,967,870

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2019 AED'000	*2018 AED'000*
Current income tax		
Current income tax charge	**675,957**	670,056
Deferred income tax		
Relating to origination and reversal of temporary differences (see below)	**250,381**	216,902
Income tax expense	**926,338**	886,958

Deferred income tax

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

	Consolidated statement of financial position 2019 AED'000	***Consolidated income statement 2019 AED'000***
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**2,914,538**	**45,487**
Tax effect of intangible assets and other timing differences	**(613,066)**	**219,638**
	2,301,472	**265,125**
Deferred tax assets		
Losses available for offset against future taxable income	**143,329**	**(23,611)**
Other timing differences	**943,075**	**8,867**
	1,086,404	**(14,744)**
Deferred income tax		**250,381**

	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

A significant part of the Group's operations is 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.

7 INCOME TAX EXPENSE (continued)

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

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year before income tax	**25,923,853**	22,278,043
Of which profit arising from taxable jurisdictions is:	**2,407,506**	3,890,628

	2019 ***AED'000***	*2018* *AED'000*
Tax calculated at domestic tax rates applicable to profits arising in taxable jurisdictions	**630,433**	770,820
Effect of non-deductible expenses	**334,331**	68,570
Effect of income exempt from tax	**(64,739)**	(19,706)
Prior period adjustment / release of provision	**8,187**	4,575
Impact of tax rate change - net	**7,755**	(24,419)
Effect of other items - net	**10,371**	87,118
Income tax expense - net	**926,338**	886,958

8 PROFIT FOR THE YEAR

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**30,263,855**	29,468,024
Rental - operating leases (2018: mainly includes aircraft operating lease expense)	**1,052,404**	12,799,580
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties (see notes 10, 11, 13 and 14)	**27,378,370**	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rentals (see notes 12 and 17.2)	**1,798,760**	1,591,645

Staff costs include pension costs of AED 117,003 thousand (2018: AED 110,167 thousand), other post-employment benefits of AED 1,147,977 thousand (2018: AED 1,072,969 thousand), and employee profit share scheme expense of AED 92,791 thousand (2018: AED 93,529 thousand).

9 BUSINESS COMBINATIONS

(a) Acquisition of DenizBank A.S.

On 31 July 2019, the Group completed a transaction with Sberbank of Russia to acquire a 99.85% ownership of DenizBank A.S. ("DenizBank"). Subsequent to this date, as per the requirements of Turkish Capital Markets Board for a mandatory tender offer and after exercising squeeze out rights, the Group acquired the remaining 0.15% ownership stake. As a result, the Group holds a 100% equity ownership in DenizBank as at 31 December 2019.

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

	AED'000
Property, plant and equipment	871,188
Right-of-use assets	399,642
Intangible assets	1,028,615
Investment properties	135,444
Investment in associates and joint ventures	17,023
Investment securities	13,242,009
Loans and receivables	87,767,147
Cash and deposits with banks	26,911,579
Positive fair value of derivatives	1,296,793
Deferred tax assets	885,806
Inventories	224,232
Trade and other receivables	4,265,042
Customer acceptances	110,361
Employees' end of service benefits	(111,502)
Borrowings and lease liabilities	(22,190,000)
Negative fair value of derivatives	(856,579)
Customer deposits	(98,931,000)
Trade and other payables	(4,848,105)
Customer acceptances	(110,361)
Fair value of the net assets acquired	**10,107,334**
Gain on bargain purchase	**(92,020)**
Purchase consideration	**10,015,314**

	AED'000
Analysis of cash flow on acquisition:	
Cash and cash equivalents acquired	6,260,147
Consideration paid	(10,015,314)
Net cash outflow on acquisition	**(3,755,167)**

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

The gain on bargain purchase (based on the provisional purchase price allocation) represents the difference between the purchase consideration and the fair value of net assets acquired and is recognised as 'other income' in the consolidated income statement.

The acquired entity contributed revenue of AED 6,809 million and profit of AED 609 million to the Group from the acquisition date to 31 December 2019. If the acquisition had taken place at the beginning of the year, DenizBank's contribution to the Group's revenue and the Group's profit would have been AED 16,245 million and AED 1,064 million respectively.

9 BUSINESS COMBINATIONS (continued)

(b) Increase in the shareholding of Dubai Aerospace Enterprise (DAE) Limited

During the current year, Dubai Aerospace Enterprise (DAE) Limited ("DAE"), a subsidiary of ICD, repurchased certain ordinary shares held by Emaar Properties PJSC, a non-controlling shareholder of DAE and an associate of the Group. Following the repurchase, DAE is now 100% owned by the Group (31 December 2018: 95.74%). As a result, AED 550,368 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 Qantas Catering

During the prior 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:

	AED'000
Fair value of the net assets acquired	185,448
Goodwill	193,044
Purchase consideration	**378,492**

	AED'000
Analysis of cash flow on acquisition:	
Consideration paid	(378,492)
Net cash outflow on acquisition	**(378,492)**

(d) Additional stake in Kerzner International Holdings Limited

During the prior year, the Group acquired an additional stake in one of its subsidiaries, Kerzner International Holdings Limited, for AED 599,760 thousand, thus increasing its ownership to 99.99%.

(e) 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.

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 2019	42,264,451	7,448,606	31,373,334	19,828,778	157,286,686	11,093,652	269,295,507
Impact on adoption of IFRS 16 (see note 2.2)	(2,885,548)	(6,516)	(106,794)	-	(2,839,893)	-	(5,838,751)
Restated balance at 1 January 2019	39,378,903	7,442,090	31,266,540	19,828,778	154,446,793	11,093,652	263,456,756
Transfers from investment properties (see note 13)	95,400	633	-	-	-	-	96,033
Transfers (to) / from development properties (see note 14)	(70,942)	7,843	8,131	-	-	(16,005)	(70,973)
Transfers to assets held for sale	-	-	-	-	(3,916,109)	-	(3,916,109)
Other transfers	842,581	207,582	310,467	-	7,968,920	(9,329,550)	-
Additions during the year	442,877	562,376	2,670,184	3,428,423	3,224,117	11,624,814	21,952,791
Acquired on business combination	453,253	2,369	1,618,272	-	-	-	2,073,894
Disposals during the year	(506,797)	(265,193)	(1,837,276)	-	(1,625,532)	(97,504)	(4,332,302)
Write-off during the year	(1,360)	(1,036)	-	-	(115,369)	(40)	(117,805)
Translation differences	(21,655)	2,318	7,979	-	(308)	1,690	(9,976)
At 31 December 2019	**40,612,260**	**7,958,982**	**34,044,297**	**23,257,201**	**159,982,512**	**13,277,057**	**279,132,309**
Accumulated depreciation and impairment:							
Balance at 1 January 2019	12,282,963	5,660,094	17,795,836	12,242,450	42,131,935	5,648	90,118,926
Impact on adoption of IFRS 16 (see note 2.2)	(292,367)	(5,876)	(17,989)	-	(343,443)	-	(659,675)
Restated balance at 1 January 2019	11,990,596	5,654,218	17,777,847	12,242,450	41,788,492	5,648	89,459,251
Depreciation and impairment charge for the year (see note 8)	1,464,991	696,130	4,066,262	1,415,713	8,530,402	698	16,174,196
Transfers from investment properties (see note 13)	1,587	8	-	-	-	-	1,595
Transfers to assets held for sale	-	-	-	-	(1,509,473)	-	(1,509,473)
Acquired on business combination	165,106	1,414	982,270	-	-	-	1,148,790
Related to disposals during the year	(397,340)	(225,274)	(1,751,505)	-	(798,463)	(283)	(3,172,865)
Related to write-off during the year	(129)	(922)	-	-	(41,028)	-	(42,079)
Translation differences	(4,182)	(357)	11,473	-	(308)	383	7,009
Other transfers	2	22,187	(22,189)	-	-	-	-
At 31 December 2019	**13,220,631**	**6,147,404**	**21,064,158**	**13,658,163**	**47,969,622**	**6,446**	**102,066,424**
Net book value:							
At 31 December 2019	**27,391,629**	**1,811,578**	**12,980,139**	**9,599,038**	**112,012,890**	**13,270,611**	**177,065,885**

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 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 13)	-	911	-	-	-	-	911
Transfers from development properties (see note 14)	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
Transfers to assets held for sale	-	-	-	-	(1,043,939)	-	(1,043,939)
Acquired on business combination	51,263	43,901	42,658	-	-	-	137,822
Related to disposals during the year	(438,916)	(370,327)	(2,001,745)	-	(1,304,253)	(544)	(4,115,785)
Related 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)

(a) Land, buildings and leasehold improvements include:

(i) land with a carrying value of AED 5,481,585 thousand (2018: AED 5,836,726 thousand);

(ii) 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; and

(iii) 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) During the current year, one of Group's subsidiaries completed the acquisition of working interests in certain producing and exploration concessions in the area of Gulf of Suez, Egypt. The acquisition cost of the working interests amounted to USD 594.2 million (AED 2,183.7 million) and is recognised under 'oil and gas interests' as an addition during the year.

(c) Borrowing costs of AED 359,340 thousand (2018: AED 295,237 thousand) have been capitalised during the year.

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

(i) pre-delivery payments of AED 3,513,649 thousand (2018: AED 3,628,554 thousand) in respect of aircraft deliveries;

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

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

(e) Aircraft, aircraft engines and parts include aircraft with a carrying value of AED 33,838,114 thousand (2018: AED 33,904,962 thousand) representing those given on operating leases to various operators. It also includes a carrying value of AED 2,001,607 thousand (2018: AED 2,777,249 thousand) representing maintenance right assets.

(f) Plant, machinery, equipment and vehicles include a refinery plant in Jebel Ali, Dubai 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 the market conditions and changes in the business environment, an impairment assessment of the Jebel Ali refinery plant was carried out. The recoverable amount of the Jebel Ali refinery plant was computed 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	7.09%
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. They were extended further using normalised cost and income assumptions without any impact of inflation. In addition, the first five years of projections were discounted using the nominal discount rate and the extended years' cash flow were discounted using real discount rate (nominal minus the long-term inflation).

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

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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 3.7%
Production capacity	Decrease by 28.1%
Gross margin	Decrease by 16.6%

11 RIGHT-OF-USE ASSETS

Movements in right-of-use assets during the year are as follows:

	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*	*Total AED'000*
Impact on adoption of IFRS 16 (see note 2.2)	9,817,698	205,910	391,126	940,164	59,566,325	70,921,223
Additions during the year	1,688,708	15,743	219,429	91,331	283,532	2,298,743
Acquired on business combination	399,642	-	-	-	-	399,642
Depreciation charge for the year (see note 8)	(1,783,059)	(24,962)	(239,393)	(323,687)*	(8,523,113)	(10,894,214)
Remeasurements	(201,043)	58	85,301	-	(391,369)	(507,053)
Disposals during the year	(32,820)	(103,587)	(31,875)	-	-	(168,282)
Translation differences	3,557	141	(1,669)	-	-	2,029
At 31 December 2019	**9,892,683**	**93,303**	**422,919**	**707,808**	**50,935,375**	**62,052,088**

* This includes depreciation charge of AED 240,243 thousand, which is recognised as an addition to the cost of 'oil and gas interests' within 'property, plant and equipment' during the year, as it is eligible for capitalisation. Accordingly, such amount is not included as an expense for the year in the consolidated income statement.

12 INTANGIBLE ASSETS

	Licences and exclusive rights 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 2019	11,611,455	13,233,709	1,130,040	2,721,700	1,728,078	2,872,313	511,627	33,808,922
Additions during the year	129	-	34,475	169,713	427,226	2,113,103	313,008	3,057,654
Acquired on business combination	-	63,250	376,096	396	277,088	375,431	-	1,092,261
Disposals during the year	-	-	(50)	(10,260)	(132,263)	-	-	(142,573)
Write-off during the year	-	-	(58,822)	-	-	-	(2,530)	(61,352)
Other transfers	-	-	-	191,427	-	-	(191,427)	-
Translation differences	25,546	(11,334)	(22,644)	8,825	(17,859)	(8,406)	651	(25,221)
At 31 December 2019	**11,637,130**	**13,285,625**	**1,459,095**	**3,081,801**	**2,282,270**	**5,352,441**	**631,329**	**37,729,691**
Accumulated amortisation and impairment:								
Balance at 1 January 2019	2,928,616	244,868	615,643	1,753,488	935,584	898,144	-	7,376,343
Amortisation and impairment charge for the year (see note 8)	383,425	2,028	148,914	362,085	654,557*	247,751	-	1,798,760
Related to disposals during the year	-	-	-	(7,792)	-	(577)	-	(8,369)
Related to write-off during the year	-	-	(58,822)	-	-	-	-	(58,822)
Translation differences	4,336	4,851	2,385	(147)	(613)	15,765	-	26,577
At 31 December 2019	**3,316,377**	**251,747**	**708,120**	**2,107,634**	**1,589,528**	**1,161,083**	**-**	**9,134,489**
Net book value:								
At 31 December 2019	**8,320,753**	**13,033,878**	**750,975**	**974,167**	**692,742**	**4,191,358**	**631,329**	**28,595,202**

* This includes an impairment charge of AED 609,348 thousand (2018: AED Nil) on certain exploration and evaluation assets recognised by one of the Group's subsidiaries during the year.

12 INTANGIBLE ASSETS (continued)

	Licences and exclusive rights 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
Amortisation and impairment 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
Related to disposals during the year	-	-	-	(4,475)	(492)	(4,484)	-	(9,451)
Related 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

12 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 2019 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 forecasted cash flows have been discounted using the Weighted Average Cost of Capital ("WACC") in the jurisdiction where the CGU operates. Based on the results of this analysis, no impairment is required for the year ended 31 December 2019.

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 the 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 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 is as follows:

	Goodwill (AED million)	
CGUs	***2019***	*2018*
Corporate banking	**3,364**	3,364
Consumer banking	**1,700**	1,700
Treasury	**206**	206
Emirates NBD Egypt S.A.E	**60**	53
	5,330	5,323

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(a) Emirates NBD PJSC (continued)

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	**120,871**	**112,861**
Consumer Banking	**119,384**	**111,472**
Treasury	**22,988**	**21,464**
Emirates NBD Egypt S.A.E	**123**	**285**

(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 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% (2018: 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	***2019***	*2018*
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% (2018: 1.5% to 3%). The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate in range of 7% to 16% (2018: 6% to 16%), 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.

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

(c) dnata (continued)

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

	Goodwill (AED million)	
CGUs	***2019***	*2018*
Airport operations	**806**	801
In-flight catering group	**582**	587
Online travel services	**446**	433
Travel services	**213**	230
Others	**142**	133
	2,189	2,184

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

(d) Borse Dubai Limited ("Borse Dubai")

The goodwill relating to Borse Dubai has a carrying value of AED 2,883 million (2018: AED 2,883 million). Management allocates the entire goodwill to Dubai Financial Market PJSC ("DFM"), a subsidiary of Borse Dubai.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU was assessed using both a value-in-use model and the fair value less cost to sell; the exercise concluded that the latter was higher (2018: value-in-use was higher).

To arrive at the fair value less cost to sell, the key assumptions used were volume weighted average quoted market price of DFM during the last 3 months of the year ended 31 December 2019 of AED 0.93/share, closing quoted market price as at 31 December 2019 of AED 0.97/share, and control premium (net of cost to sell) of 15%. Based on the results of this analysis, no impairment is required for the year ended 31 December 2019.

The following table shows the extent by which these key assumptions would need to change individually for the estimated recoverable amount to equal the carrying amount.

	Percentage change
Volume weighted average quoted market price during last 3 months of the year ended 31 December 2019	7.94%
Closing quoted market price as at 31 December 2019	11.65%
Control premium - net of cost to sell	88.70%

In the prior year, the recoverable amount of the CGU was determined on the basis of a value-in-use calculation using cash flow forecasts approved by management covering a five-year period. Cash flows beyond such period were extrapolated using a terminal growth rate of 2% per annum. The key assumptions used in the value-in-use calculation also included a discount rate of 10.92% per annum. Based on the results of this analysis, no impairment was required for the year ended 31 December 2018.

(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 593 million (2018: AED 566 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 up to December 2023 (2018: December 2022). Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum (2018: 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 (2018: 10.2% per annum). Based on the results of this analysis, management concluded that no impairment is required for the year ended 31 December 2019.

12 INTANGIBLE ASSETS (continued)

Impairment test on goodwill and other intangible assets (continued)

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

The recoverable value of the CGU would not fall below its carrying amount with a reduction in the terminal growth rate by 1.5% or a 1% increase in the discount rate.

(f) Binaa Dubai LLC

The goodwill relating to Binaa Dubai LLC has a carrying value of AED 648 million (2018: AED 648 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 a 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 2019.

13 INVESTMENT PROPERTIES

	2019	*2018*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**23,967,209**	19,889,102
Impact on adoption of IFRS 16 (see note 2.2)	**78,710**	-
Restated balance at the beginning of the year	**24,045,919**	19,889,102
Additions during the year	**4,144,600**	3,827,011
Assets acquired on business combination	**135,444**	393,514
Transfers to property, plant and equipment (see note 10)	**(96,033)**	(911)
Transfers from development properties (see note 14)	**81,920**	-
Transfers from inventories	**5,422**	-
Transferred from the Government – net (see note 24)	**-**	19,857
Disposals during the year	**(59,710)**	(165,880)
Write-off during the year	**(12,082)**	(8,286)
Translation difference	**(5,285)**	12,802
At 31 December	**28,240,195**	23,967,209
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**4,187,135**	3,229,129
Impact on adoption of IFRS 16 (see note 2.2)	**10,528**	-
Restated balance at the beginning of the year	**4,197,663**	3,229,129
Depreciation and impairment charge for the year (see note 8)	**550,156**	761,627
Assets acquired on business combination	**-**	182,819
Transfers to property, plant and equipment (see note 10)	**(1,595)**	-
Related to disposals during the year	**(3,174)**	(1,332)
Related to write-off during the year	**-**	(2,593)
Translation difference	**158**	17,485
At 31 December	**4,743,208**	4,187,135
Net book value:		
At 31 December	**23,496,987**	19,780,074

Investment properties include right-of-use assets with carrying value of AED 79,057 thousand as at 31 December 2019.

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 279,858 thousand has been recorded during the year ended 31 December 2019 (2018: AED 511,378 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.

Investment properties with carrying value of AED 17,942,958 thousand (2018: AED 16,527,611 thousand) has fair value of AED 26,468,568 thousand (2018: AED 25,199,423 thousand). The balance represents investment properties for which the fair values cannot be determined reliably, as key valuation inputs can often be subjective and may not be supported by third party comparable transactions.

14 DEVELOPMENT PROPERTIES

	2019 *AED'000*	*2018* *AED'000*
Cost:		
Balance at the beginning of the year	**2,578,646**	1,263,872
Additions during the year	**1,014,538**	1,421,694
Transfers from / (to) property, plant and equipment (see note 10)	**70,973**	(14,351)
Transfers to investment properties (see note 13)	**(81,920)**	-
Transfer to inventories	-	(86,855)
Transfer to cost of sales	**(4,465)**	(5,714)
At 31 December	**3,577,772**	2,578,646
Accumulated impairment:		
Balance at the beginning of the year	**42,119**	41,458
Impairment charge for the year (see note 8)	**47**	661
At 31 December	**42,166**	42,119
Net book value:		
At 31 December	**3,535,606**	2,536,527

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2019 *AED'000*	*2018* *AED'000*
Investments in associates	**32,914,908**	30,579,721
Investments in joint ventures	**20,336,002**	22,414,192
	53,250,910	52,993,913

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

	2019 *AED'000*	*2018* *AED'000*
Balance at the beginning of the year	**52,993,913**	47,302,127
Impact on adoption of IFRS 9	-	(334,420)
Impact on adoption of IFRS 15	-	1,702,030
Impact on adoption of IFRS 16 (see note 2.2)	**(36,561)**	-
Restated balance at the beginning of the year	**52,957,352**	48,669,737
Investments made during the year (see notes (b) and (c))	**593,269**	4,621,735
Share of results of associates and joint ventures - net	**3,825,721**	4,727,224
Dividends received	**(2,280,617)**	(2,532,299)
Arising from business combinations	**17,023**	-
Transfer to investment securities (see note (a))	**(321,999)**	-
Disposals during the year (see note (a))	**(1,118,644)**	(1,524,223)
Conversion of joint ventures to subsidiaries	**(38,774)**	-
Amounts recognised directly in equity – net		
- Other comprehensive income		
Translation difference	**(73,669)**	(481,523)
Cumulative changes in fair value	**(204,830)**	(79,242)
Actuarial gain on defined benefit plans	**1,602**	19,521
- Upon demerger completion by an associate of the Group	-	(225,599)
- Others	**(105,524)**	(201,418)
At 31 December	**53,250,910**	52,993,913

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(a) During the current year, the Group disposed of 39.1% of its shareholding in Network International Holdings Plc (a listing vehicle created as a holding entity of Network International LLC), a jointly controlled entity, for a net consideration of AED 4,222 million in two tranches. This compared to a carrying value of AED 1,076 million and resulted in a gain on disposal of AED 3,146 million recognised as 'other income'. Upon completion of these transactions, the Group retained 11.9% in Network International Holdings Plc and no longer held significant influence, thereby discontinued equity accounting. The retained interest was classified as investment security measured at FVOCI. The fair value gain on measurement of the retained interest was AED 1,243 million; it has been recognised as 'other income' in the consolidated income statement.

Subsequent to the above transactions, a 6.2% shareholding was disposed, and consequently the Group retains 5.7% of the shares of Network International Holdings Plc as at 31 December 2019.

(b) During the prior year, the Group subscribed to the rights shares issued by one of its associates for AED 1,459,466 thousand.

(c) During the prior year, the Group converted an outstanding loan to a joint venture of AED 2,693,018 thousand into an investment in this joint venture.

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

31 December 2019

	Emaar Properties PJSC* AED'000	***Dubai Islamic Bank PJSC** AED'000***	***Nasdaq Inc.*** AED'000***	***Emirates Global Aluminium PJSC**** AED'000***
Total assets	116,870,404	231,528,549	51,931,425	64,912,749
Total liabilities	(53,420,981)	(197,063,563)	(30,065,175)	(34,288,293)
Net assets	**63,449,423**	**34,464,986**	**21,866,250**	**30,624,456**
Group's share of net assets	**14,892,228**	**7,239,460**	**3,943,275**	**15,312,228**

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

* The carrying value of the Group's investment is equal to the Group's share of net assets of the associate. This forms part of the 'others' segmental assets disclosed in note 38.

** The carrying value of the Group's investment is equal to the Group's share of net assets of the associate. This forms part of the 'banking and other financial services' segmental assets disclosed in note 38.

*** The difference between carrying value of the Group's investment and the Group's share of net assets of this associate predominantly relates to goodwill and intangible assets included in the carrying value. The carrying value of the associate forms part of the 'banking and other financial services' segmental assets disclosed in note 38.

15 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: (continued)

**** There is no significant difference between the carrying value of the Group's investment and the Group's share of net assets of the joint venture. The carrying value of the joint venture forms part of the 'others' segmental assets disclosed in note 38.

(e) The following table summarises the income statement and statement of comprehensive income of the Group's material associates and a joint venture:

31 December 2019

	Emaar Properties PJSC AED'000	***Dubai Islamic Bank PJSC AED'000***	***Nasdaq Inc. AED'000***	***Emirates Global Aluminium PJSC AED'000***
Revenue	24,585,931	13,684,355	9,305,100	20,498,579
Profit for the year attributable to the equity holders	**6,200,029**	**4,555,279**	**2,851,800**	**(805,500)**
Other comprehensive income for the year	348,627	(454,371)	(573,300)	(88,127)
Total comprehensive income for the year	**6,548,656**	**4,100,908**	**2,278,500**	**(893,627)**
Group's share of total comprehensive income for the year	**1,800,585**	**1,163,360**	**317,035**	**(446,814)**
Dividend paid to the Group during the year	**295,291**	**654,275**	**202,467**	**550,980**

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 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
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	-

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	2019 ***AED'000***	*2018* *AED'000*
Profit for the year	**811,040**	958,939
Other comprehensive income for the year	**(96,382)**	(35,678)
Group's share of total comprehensive income for the year	**714,658**	923,261
Carrying amount of the Group's interest	**8,963,033**	9,841,825

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

	Carrying values		***Market values***	
	2019 ***AED'000***	*2018* *AED'000*	***2019*** ***AED'000***	***2018*** *AED'000*
Emaar Properties PJSC	**14,892,228**	13,344,665	**7,913,795**	8,130,342
Dubai Islamic Bank PJSC	**7,239,460**	6,828,747	**10,300,152**	9,346,780
Commercial Bank of Dubai PSC*	**2,035,586**	1,836,018	**2,242,187**	2,242,187
Nasdaq Inc.	**5,871,753**	5,696,448	**11,723,250**	8,820,000

* The associate's carrying value forms part of the 'banking and other financial services' segmental assets in note 38.

The Group's investments in associates and joint ventures have been tested for impairment on an individual basis whenever there are indicators of impairment. Based on these assessments, no impairment loss is required for the years ended 31 December 2019 and 31 December 2018.

16 INVESTMENT SECURITIES

	2019	*2018*
	AED'000	*AED'000*
Measured at FVOCI		
Equities	**3,998,353**	3,004,586
Sovereign bonds	**9,742,646**	571,900
Corporate bonds	**3,450,013**	2,330,771
Others	**750,741**	760,614
	17,941,753	6,667,871
Measured at FVTPL		
Equities	**2,626,417**	2,710,759
Sovereign bonds	**2,218,276**	2,118,521
Corporate bonds	**3,972,769**	2,524,245
Others	**801,179**	810,227
	9,618,641	8,163,752
Measured at amortised cost		
Sovereign bonds	**33,364,443**	11,436,562
Corporate bonds	**4,700,413**	3,287,031
Others	**9,412**	-
	38,074,268	14,723,593
Total investment securities	**65,634,662**	29,555,216
Disclosed as follows:		
Non-current assets	**47,271,737**	24,432,482
Current assets	**18,362,925**	5,122,734
	65,634,662	29,555,216

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

31 December 2019

	Total	***Level 1***	***Level 2***	***Level 3***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Measured at FVOCI	**17,941,753**	**17,135,954**	**723,244**	**82,555**
Measured at FVTPL	**9,618,641**	**7,603,358**	**120,764**	**1,894,519**
Derivative financial instruments - net (see note 29)	**1,796,183**	**(293,096)**	**2,094,012**	**(4,733)**
	29,356,577	**24,446,216**	**2,938,020**	**1,972,341**

31 December 2018

	Total	*Level 1*	*Level 2*	*Level 3*
	AED'000	*AED'000*	*AED'000*	*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 29)	429,603	387,393	(68,224)	110,434
	15,261,226	12,258,044	670,931	2,332,251

16 INVESTMENT SECURITIES (continued)

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

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

	2019 ***AED'000***	*2018* *AED'000*
Balance at the beginning of the year	**2,332,251**	2,778,868
Impact on adoption of IFRS 9	-	(32,195)
Restated balance at the beginning of the year	**2,332,251**	2,746,673
Investments made during the year	**395,719**	780,365
Settlements / disposals of investment during the year	**(576,227)**	(924,162)
Net fair value movement during the year	**(179,402)**	(334,030)
Net transfers into Level 3 (from level 1 and 2)	-	63,405
At 31 December	**1,972,341**	2,332,251

The table below shows the classification of investment securities (excluding equity instruments) as per their external ratings:

31 December 2019

	Measured at FVTPL AED'000	***Measured at FVOCI AED'000***	***Measured at amortised cost AED'000***	***Total AED'000***
Ratings				
AAA	**127,154**	**-**	**7,560,300**	**7,687,454**
AA- to AA+	**1,659,174**	**1,741,937**	**11,289,376**	**14,690,487**
A- to A+	**1,438,240**	**1,904,151**	**7,258,288**	**10,600,679**
Lower than A-	**2,337,244**	**8,915,188**	**8,932,342**	**20,184,774**
Unrated	**1,430,412**	**1,382,124**	**3,033,962**	**5,846,498**
Total	**6,992,224**	**13,943,400**	**38,074,268**	**59,009,892**

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+	1,160,543	999,634	3,209,957	5,370,134
Lower than A-	1,428,614	947,085	4,340,656	6,716,355
Unrated	1,515,060	1,662,036	677,137	3,854,233
Total	5,452,993	3,663,285	14,723,593	23,839,871

The allowance for impairment on investment securities as at 31 December 2019 amounts to AED 34,177 thousand (2018: AED 39,118 thousand).

17 OTHER NON-CURRENT ASSETS

	2019 AED'000	*2018 AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 17.1 and 36(b))	**4,160,844**	7,095,635
Loans to / receivables from associates and joint ventures (see note 36(b))	**273,716**	68,423
Advance lease rentals (see note 17.2)	**-**	4,813,115
Lease acquisition cost and finance lease receivables	**1,472,359**	1,651,975
Long term retentions	**304,162**	310,074
Other receivables	**1,402,432**	2,202,255
	7,613,513	16,141,477
Less: Allowance for impairment (see note 17.3)	**(73,501)**	(58,220)
	7,540,012	16,083,257

17.1 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 4,130,553 thousand (2018: AED 5,968,053 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.

17.2 Movement in advance lease rentals:

	2019 AED'000	*2018 AED'000*
Balance at the beginning of the year	**5,415,607**	5,840,722
Impact on adoption of IFRS 16 – non-current portion (see note 2.2)	**(4,813,115)**	-
Impact on adoption of IFRS 16 – current portion	**(602,492)**	-
Additions during the year	**-**	175,444
Charge for the year (see note 8)	**-**	(600,348)
Translation differences - net	**-**	(211)
At 31 December	**-**	5,415,607

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

	2019 AED'000	*2018 AED'000*
Within one year – current portion (see note 19)	-	602,492
After one year – non-current portion	-	4,813,115
	-	5,415,607

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

17 OTHER NON-CURRENT ASSETS (continued)

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

	2019 AED'000	*2018 AED'000*
Balance at the beginning of the year	**58,220**	54,875
Allowance for impairment made during the year – net of recoveries (see note 4)	**15,127**	10,020
Amounts written-off during the year	**(5,571)**	(5,417)
Translation differences - net	**5,725**	(1,258)
At 31 December	**73,501**	58,220

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

18 INVENTORIES

	2019 AED'000	*2018 AED'000*
Finished goods / inventory properties	**6,085,130**	5,832,972
Raw materials	**1,068,967**	2,660,709
Spare parts and consumables	**1,883,848**	1,806,645
Engineering	**549,232**	531,729
Goods in-transit	**2,044,475**	766,868
Consumer goods	**732,365**	668,296
Others	**245,237**	388,408
	12,609,254	12,655,627
Less: Provision for slow moving and obsolete inventories	**(176,848)**	(1,326,256)
	12,432,406	11,329,371

19 TRADE AND OTHER RECEIVABLES

	2019 AED'000	*2018 AED'000*
Trade receivables	**18,927,549**	15,808,102
Prepayments and other receivables	**10,397,693**	10,398,759
Amounts receivable from Government, MOF and other related parties (see note 36(b))	**1,695,809**	1,751,280
Accrued interest receivable	**5,236,307**	2,817,256
Contract receivables	**1,311,936**	1,511,584
Amounts receivable from associates and joint ventures (see note 36(b))	**1,189,318**	1,214,437
Loan receivables (non-banking operations)	**229,044**	160,888
Retention receivables - current portion	**378,517**	431,618
Advance to suppliers	**793,389**	973,427
Advance lease rentals (see note 17.2)	-	602,492
Operating lease deposits	**82,151**	462,946
Lease acquisition costs	**209,093**	136,063
Finance lease receivables	**137,022**	121,474
	40,587,828	36,390,326
Less: Allowance for impairment (see note 19.2)	**(1,568,149)**	(1,542,246)
	39,019,679	34,848,080

19 TRADE AND OTHER RECEIVABLES (continued)

19.1 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:

	2019 ***AED'000***	*2018* *AED'000*
Neither past due nor impaired	**17,677,592**	16,337,213
Past due but not impaired:		
Past due 1 – 90 days	**3,004,252**	2,440,735
Past due 91 – 365 days	**1,607,800**	764,394
Past due and impaired	**1,579,551**	1,457,041
Less: Allowance for impairment	**(1,568,149)**	(1,542,246)
	22,301,046	19,457,137

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.

19.2 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:

	2019 ***AED'000***	*2018* *AED'000*
Balance at the beginning of the year	**1,542,246**	1,371,663
Impact on adoption of IFRS 9	**-**	142,191
Restated balance at the beginning of the year	**1,542,246**	1,513,854
Allowance for impairment made during the year - net of recoveries (see note 4)	**204,230**	240,072
Amounts written-off during the year	**(143,106)**	(225,458)
Arising on business combinations	**-**	2,092
On disposal of a subsidiary	**-**	(3,822)
Translation differences	**(35,221)**	15,508
At 31 December	**1,568,149**	1,542,246

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2019 ***AED'000***	*2018* *AED'000*
Murabaha	**35,997,807**	33,827,008
Ijara	**19,513,458**	18,888,088
Wakala	**19,080,389**	20,091,454
Mudaraba	**575,968**	763,933
Istisna'a	**1,318,526**	1,972,869
Credit cards receivable	**1,491,354**	1,331,436
Others	**1,431,710**	2,122,941
Gross Islamic financing and investment products	**79,409,212**	78,997,729
Less: Deferred income	**(2,212,559)**	(2,074,625)
Less: Allowance for impairment (see note 20.2)	**(5,788,475)**	(5,897,054)
Net Islamic financing and investment products	**71,408,178**	71,026,050

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 955,782 thousand (2018: AED 994,333 thousand) due from Government, MOF and other related parties and AED 15,718,651 thousand (2018: AED 17,384,919 thousand) due from associates and joint ventures (see note 36(b)).

Corporate Ijara assets of AED 2.3 billion (2018: AED 2.3 billion) and Murabaha assets of AED 1.4 billion (2018: AED 1.4 billion) in the Bank and were securitised for the purpose of the issuance of Sukuk liability (see note 28(d)).

	2019	*2018*
	AED'000	*AED'000*
Analysis by economic activity:		
Services	**1,882,844**	1,733,913
Personal loans	**28,399,349**	26,216,463
Construction and real estate	**9,568,428**	10,096,117
Trade	**8,304,869**	7,971,047
Financial institutions and investment companies	**22,751,713**	25,194,004
Transport and communication	**268,239**	390,755
Manufacturing	**2,342,297**	2,371,589
Management of companies and enterprises	**1,673,373**	1,176,078
Others	**4,218,100**	3,847,763
Gross Islamic financing and investment products	**79,409,212**	78,997,729
Less: Deferred income	**(2,212,559)**	(2,074,625)
Less: Allowance for impairment (see note 20.2)	**(5,788,475)**	(5,897,054)
Net Islamic financing and investment products	**71,408,178**	71,026,050
Disclosed as follows:		
Non-current assets	**28,531,651**	24,016,824
Current assets	**42,876,527**	47,009,226
Net Islamic financing and investment products	**71,408,178**	71,026,050

20.1 The following table sets out information about the credit quality of Islamic financing and investment products:

31 December 2019

	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	67,675,641	4,265,109	-	71,940,750
Non-performing	-	-	5,255,903	5,255,903
Gross carrying value	**67,675,641**	**4,265,109**	**5,255,903**	**77,196,653**
Less: Allowance for impairment (see note 20.2)	(974,507)	(409,830)	(4,404,138)	(5,788,475)
Net carrying value	**66,701,134**	**3,855,279**	**851,765**	**71,408,178**

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

20.1 The following table sets out information about the credit quality of Islamic financing and investment products: (continued)

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	67,990,334	3,526,137	-	71,516,471
Non-performing	-	-	5,406,633	5,406,633
Gross carrying value	67,990,334	3,526,137	5,406,633	76,923,104
Less: Allowance for impairment (see note 20.2)	(1,192,430)	(752,725)	(3,951,899)	(5,897,054)
Net carrying value	66,797,904	2,773,412	1,454,734	71,026,050

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

2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit -impaired AED'000***	***Total AED'000***
Balance at the beginning of the year	1,192,430	752,725	3,951,899	**5,897,054**
Allowance for impairment made during the year - net of recoveries (see note 4)	(172,168)	(342,193)	1,332,836	**818,475**
Amounts written off during the year	-	-	(860,087)	**(860,087)**
Exchange and other adjustments (see note 20.3)	(45,755)	(702)	(20,510)	**(66,967)**
At 31 December 2019	**974,507**	**409,830**	**4,404,138**	**5,788,475**

2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit -impaired AED'000*	*Total AED'000*
Balance at the beginning of the year	653,664	-	4,287,656	4,941,320
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
Allowance for impairment made during the year - net of recoveries (see note 4)	(201,699)	(159,444)	925,982	564,839
Amounts written off during the year	-	-	(1,275,439)	(1,275,439)
Exchange and other adjustments	(13)	-	244	231
At 31 December 2018	1,192,430	752,725	3,951,899	5,897,054

20.3 This includes provision against unfunded exposures transferred to 'trade and other payables' amounting to AED 46 million.

21 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:

	2019 AED'000	*2018 AED'000*
Overdrafts	**150,166,905**	137,047,799
Time loans	**229,499,795**	140,296,525
Loans against trust receipts	**8,054,202**	9,262,543
Bills discounted	**4,475,928**	2,326,177
Credit card receivables	**12,711,497**	6,397,236
Gross loans and receivables	**404,908,327**	295,330,280
Less: Allowance for impairment (see note 21.2)	**(23,790,153)**	(21,117,025)
Net loans and receivables	**381,118,174**	274,213,255
Disclosed as follows:		
Non-current assets	**136,977,692**	91,576,692
Current assets	**244,140,482**	182,636,563
Net loans and receivables	**381,118,174**	274,213,255

Loans and receivables include AED 161,651,754 thousand (2018: AED 152,340,728 thousand) due from Government, MOF and other related parties and AED 64 thousand (2018: AED 327,119 thousand) due from associates and joint ventures (see note 36(b)).

As at 31 December 2019, corporate loans and receivables of AED 918 million (2018: AED 1,044 million) 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 28(a)).

	2019 AED'000	*2018 AED'000*
Analysis by segment:		
Corporate banking	**303,525,962**	237,656,475
Consumer banking	**77,592,212**	36,556,780
Net loans and receivables	**381,118,174**	274,213,255
Analysis by economic activity:		
Services	**15,865,073**	2,135,122
Personal	**56,933,847**	39,543,759
Sovereign	**162,760,253**	150,269,100
Construction and real estate	**59,067,966**	43,864,351
Manufacturing	**17,761,078**	6,234,352
Trade	**23,224,225**	16,899,166
Transport and communication	**6,147,502**	1,376,943
Hotels and restaurants	**15,911,904**	3,762,311
Management of companies and enterprises	**13,930,191**	12,805,993
Financial institutions and investment companies	**15,534,634**	12,570,721
Agriculture	**8,127,732**	143,891
Others	**9,643,922**	5,724,571
Gross loans and receivables	**404,908,327**	295,330,280
Less: Allowance for impairment (see note 21.2)	**(23,790,153)**	(21,117,025)
Net loans and receivables	**381,118,174**	274,213,255

21 LOANS AND RECEIVABLES (continued)

21.1 The following table sets out information about the credit quality of loans and receivables:

31 December 2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit - impaired AED'000***	***Purchased / originated credit-impaired AED'000***	***Total AED'000***
Gross carrying value:					
Performing	363,421,901	20,330,518	-	-	383,752,419
Non-performing	-	-	18,108,095	3,047,813	21,155,908
Gross carrying value	**363,421,901**	**20,330,518**	**18,108,095**	**3,047,813**	**404,908,327**
Less: Allowance for impairment (see note 21.2)	(3,701,749)	(3,221,584)	(16,717,467)	(149,353)	(23,790,153)
Net carrying value	**359,720,152**	**17,108,934**	**1,390,628**	**2,898,460**	**381,118,174**

31 December 2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit - impaired AED'000*	*Purchased / originated 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	269,998,364	9,409,715	15,922,201	-	295,330,280
Less: Allowance for impairment (see note 21.2)	(3,928,737)	(1,639,483)	(15,548,805)	-	(21,117,025)
Net carrying value	266,069,627	7,770,232	373,396	-	274,213,255

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

2019

	12-month ECL AED'000	***Lifetime ECL not credit-impaired AED'000***	***Lifetime ECL credit - impaired AED'000***	***Purchased / originated credit-impaired AED'000***	***Total AED'000***
Balance at the beginning of the year	3,928,737	1,639,483	15,548,805	-	**21,117,025**
Allowance for impairment made during the year - net of recoveries (see note 4)	66,397	1,797,281	2,319,442	149,353	**4,332,473**
Amounts written off during the year	-	-	(1,145,807)	-	**(1,145,807)**
Exchange and other adjustments (see note 21.3)	(293,385)	(215,180)	(4,973)	-	**(513,538)**
At 31 December 2019	**3,701,749**	**3,221,584**	**16,717,467**	**149,353**	**23,790,153**

21 LOANS AND RECEIVABLES (continued)

21.2 The following table sets out the movement in the allowance for impairment during the year: (continued)

2018

	12-month ECL AED'000	*Lifetime ECL not credit-impaired AED'000*	*Lifetime ECL credit - impaired AED'000*	*Purchased / originated credit-impaired AED'000*	*Total AED'000*
Balance at the beginning of the year	7,027,384	-	13,620,650	-	20,648,034
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
Allowance for impairment made during the year - net of recoveries (see note 4)	328,734	(13,388)	1,280,402	-	1,595,748
Amounts written off during the year	-	-	(1,873,405)	-	(1,873,405)
Exchange and other adjustments	-	-	(1,706)	-	(1,706)
At 31 December 2018	3,928,737	1,639,483	15,548,805	-	21,117,025

The contractual amount outstanding on loans and receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 1,146 million (2018: AED 3,149 million).

21.3 This includes provision against unfunded exposures transferred to trade and other payables amounting to AED 376 million.

22 CASH AND DEPOSITS WITH BANKS

	2019 *AED'000*	*2018* *AED'000*
Banking operations		
Cash and deposits with Central Banks (as defined below)		
Cash	**4,461,421**	3,307,930
Interest bearing placements with Central Banks	**5,758,814**	267,718
Murabahas and interest bearing certificates of deposits with Central Banks	**55,384,688**	48,901,963
Statutory and other deposits with Central Banks	**43,754,859**	32,135,965
Less: Allowance for impairment	**(2,835)**	(9,260)
Total (A)	**109,356,947**	84,604,316
Due from other banks		
Overnight, call and short notice	**6,330,724**	5,036,878
Time loans	**33,921,023**	35,010,651
Less: Allowance for impairment	**(84,206)**	(140,276)
Total (B)	**40,167,541**	39,907,253
Total (C = A+B)	**149,524,488**	124,511,569
Non-banking operations		
Cash at banks and in hand	**6,659,314**	7,327,141
Short-term deposits	**17,643,467**	13,894,302
Placements with banks and other financial institutions	**1,791,059**	1,314,797
Less: Allowance for impairment	**(207)**	(161)
Total (D)	**26,093,633**	22,536,079
Total (C+D)	**175,618,121**	147,047,648
Disclosed as follows:		
Non-current assets	**5,271,928**	2,746,014
Current assets	**170,346,193**	144,301,634
	175,618,121	147,047,648

For the purpose of the consolidated cash flow statement, cash and cash equivalents have been computed as explained below:

	2019 *AED'000*	*2018* *AED'000*
Cash and deposits with banks - current	**170,346,193**	144,301,634
Islamic financing and investment products with original maturity of less than three months (non-banking operations)	**3,283,493**	5,950,411
Due to banks (see note 28)	**(41,715,299)**	(22,339,668)
Bank overdrafts (see note 28)	**(145,100)**	(117,302)
	131,769,287	127,795,075
Due to banks with original maturity of more than three months	**26,103,569**	5,879,038
Deposits with Central Banks for regulatory purposes	**(43,754,859)**	(32,135,965)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(33,600,000)**	(27,300,000)
Due from other banks and deposits with other banks with original maturity of more than three months	**(31,372,737)**	(33,032,010)
Cash and cash equivalents	**49,145,260**	41,206,138

22 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 4,429,630 thousand (2018: AED 3,227,134 thousand) due from associates, joint ventures, and other related parties (see note 36(b)).

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Aircraft held for sale
As at 31 December 2019, a Group subsidiary had entered into agreements for the sale of 10 aircraft which met the criteria of IFRS 5 to be classified as held for sale (2018: agreement for the sale of 16 aircraft and 1 forward order).

24 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:

	2019	*2018*
	AED'000	*AED'000*
Balance at the beginning of the year	**64,569,417**	64,530,179
Capital contributions from the Government	**3,615,763**	19,381
Freehold land contributed by the Government (see note 24.1)	**-**	1,200,100
Return of capital to the Government (see note 24.2)	**-**	(1,180,243)
At 31 December	**68,185,180**	64,569,417

24.1 During the prior year, a capital contribution in the form of plots of land (classified as investment properties) 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.

24.2 During the prior year, the Group transferred to the Government a plot of land. This was accounted for as a return of capital.

25 DISTRIBUTIONS TO THE GOVERNMENT

During the year ended 31 December 2019, distributions of AED 4,988,526 thousand (2018: AED 6,171,122 thousand) were made to the Government.

26 OTHER RESERVES

31 December 2019

	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*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2019	2,920,537	1,004,388	9,177,030	(1,797,797)	(914,722)	980,647	9,529	(2,657,447)	(267,678)	8,454,487
Other comprehensive income for the year	-	-	-	179,289	278,395	-	-	(317,009)	-	140,675
Transfers from / (to) retained earnings – net	212,716	(32,089)	-	-	-	212,772	2,687	-	71,488	467,574
Change in Group's ownership in existing subsidiaries	-	-	-	-	(1,683)	-	-	(1,154)	195	(2,642)
Transfers upon disposal of equity instruments measured at FVOCI	-	-	-	(122,373)	-	-	-	-	-	(122,373)
Other movements	4,146	(45,211)	-	659,841	(2)	-	-	(766,601)	306,109	158,282
Total at 31 December 2019	**3,137,399**	**927,088**	**9,177,030**	**(1,081,040)**	**(638,012)**	**1,193,419**	**12,216**	**(3,742,211)**	**110,114**	**9,096,003**

31 December 2018

	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*	*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)	(337,336)	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)	(337,336)	9,712,882
Other comprehensive income for 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)	(267,678)	8,454,487

26 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
The merger reserve includes amounts relating to:

- Borse Dubai Limited
- Emirates NBD PJSC
- Aswaaq LLC
- National Bonds Corporation PJSC

Borse Dubai Limited
In 2007, the Government transferred the ownership of DFM (80% shareholding) and Nasdaq Dubai Limited ("Nasdaq Dubai") (100% shareholding) to 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 amounting to AED 5,984,759 thousand was recognised as merger reserve 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 until the investments are derecognised.

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.

27 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits recognised in the consolidated statement of financial position are as follows:

	2019	*2018*
	AED'000	*AED'000*
Balance at beginning of the year	**3,915,732**	3,626,749
Provision made during the year	**1,367,798**	1,406,782
End of service benefits paid	**(1,146,749)**	(1,112,552)
Actuarial loss / (gain) on defined benefit plans	**251,991**	(52,593)
Arising on business combinations	**118,260**	49,379
On disposal of a subsidiary	**-**	(5,075)
Other movements - net	**(29,008)**	3,042
At 31 December	**4,478,024**	3,915,732
Disclosed as follows:		
Non-current liabilities	**4,465,484**	3,901,593
Current liabilities	**12,540**	14,139
	4,478,024	3,915,732

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 UAE Federal Law on 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 1.9% - 4.9% (2018: 2.0% - 8%) per annum and a discount rate of 1.1% - 4.0% (2018: 1.80% - 4.50%) 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:

	2019	*2018*
	AED'000	*AED'000*
Present value of funded defined benefit obligations	**4,360,661**	3,740,681
Less: Fair value of plan assets (see note (i) below)	**(3,964,544)**	(3,369,271)
	396,117	371,410
Present value of unfunded defined benefit obligations	**4,081,907**	3,544,322
Employees' end of service benefits provision	**4,478,024**	3,915,732

(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.

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes (continued)

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.

Movements in the fair value of the plan assets in respect of the funded schemes are as follows:

	2019 ***AED'000***	*2018* *AED'000*
At the beginning of the year	**3,369,271**	3,418,992
Contributions made	**408,023**	401,210
Benefits paid	**(300,133)**	(275,055)
Fair value gain / (loss) - net	**485,600**	(166,497)
Other movements	**1,783**	(9,379)
At 31 December	**3,964,544**	3,369,271

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.

28 BORROWINGS AND LEASE LIABILITIES

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
Banking operations			
Non-current liabilities			
Debt issued and other borrowed funds	28(a)	**35,196,359**	33,739,109
Due to banks (see note 22)	28(b)	**11,693,601**	2,990,194
Sukuk payable	28(d)	**3,679,921**	3,685,160
Lease liabilities	28(f)	**743,668**	-
(A)		**51,313,549**	40,414,463
Current liabilities			
Debt issued and other borrowed funds	28(a)	**14,120,956**	6,976,121
Due to banks (see note 22)	28(b)	**30,021,698**	19,349,474
Lease liabilities	28(f)	**183,762**	-
(B)		**44,326,416**	26,325,595
Total (A+B)		**95,639,965**	66,740,058

28 BORROWINGS AND LEASE LIABILITIES (continued)

	Notes	***2019 AED'000***	*2018 AED'000*
Non-banking operations			
Non-current liabilities			
Bank borrowings	28(c)	**77,114,595**	40,631,934
Bonds (including Sukuk)	28(d)	**18,714,954**	23,565,915
Finance lease liabilities	28(e)	**-**	37,881,348
Lease liabilities	28(f)	**52,674,567**	-
Loan from Government, MOF and other related parties (see note 36(b))	28(c)	**240,562**	9,432,222
Loans from associates and joint ventures (see note 36(b))	28(c)	**10,887,840**	10,443,117
(C)		**159,632,518**	121,954,536
Current liabilities			
Bank borrowings	28(c)	**13,573,261**	11,427,833
Bonds (including Sukuk)	28(d)	**11,093,373**	8,214,436
Finance lease liabilities	28(e)	**-**	5,575,770
Lease liabilities	28(f)	**9,682,403**	**-**
Loans from Government, MOF and other related parties (see note 36(b))	28(c)	**10,167,453**	957,774
Loans from associates and joint ventures (see note 36(b))	28(c)	**2,363,044**	464,729
Bank overdrafts (see note 22)		**145,100**	117,302
(D)		**47,024,634**	26,757,844
Total (C+D)		**206,657,152**	148,712,380
Disclosed as follows:			
Non-current liabilities (A+C)		**210,946,067**	162,368,999
Current liabilities (B+D)		**91,351,050**	53,083,439
Total borrowings and lease liabilities		**302,297,117**	215,452,438

The above interest / profit bearing loans and lease liabilities are denominated in various currencies.

(a) Debt issued and other borrowed funds

	2019 AED'000	*2018 AED'000*
Medium-term note programme*	**41,075,715**	32,359,770
Term loans from banks	**7,323,475**	7,311,043
Borrowing raised from loan securitisations (see note 21)	**918,125**	1,044,417
	49,317,315	40,715,230

* Includes Tier 2 notes of the Bank amounting to AED Nil (2018: AED 146 million) raised through public and private placements.

28 BORROWINGS AND LEASE LIABILITIES (continued)

(a) Debt issued and other borrowed funds (continued)

The repayment profile of the above liabilities is as follows:

	2019 AED in millions	*2018 AED in millions*
2019	**-**	6,976
2020	**14,121**	8,719
2021	**12,128**	10,094
2022	**9,706**	7,816
2023	**1,941**	1,555
2024	**2,289**	348
Beyond 2024	**9,132**	5,207
	49,317	40,715

The interest rate paid on the above averaged 3.53% per annum for the year ended 31 December 2019 (2018: 3.53% per annum).

(b) Due to banks

	2019 AED'000	*2018 AED'000*
Demand and call deposits	**2,543,717**	2,277,365
Balances with correspondent banks	**2,250,185**	1,611,125
Repurchase agreements with banks	**501,000**	235,706
Time and other deposits	**36,420,397**	18,215,472
	41,715,299	22,339,668

The interest rates paid on the above averaged 3.13% per annum for the year ended 31 December 2019 (2018: 2.11% 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 3,767,555 thousand, repayable over the period up to 2025 (2018: AED 2,554,125 thousand repayable in 2023) and carrying a margin over LIBOR.
- Ijara syndicated facilities of AED 1,741,287 thousand, repayable over the period up to 2025 (2018: AED 1,286,250 thousand repayable in 2023) and carrying a margin over LIBOR.
- Bilateral facilities of AED 1,837,100 thousand (2018: 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 9,674,526 thousand (2018: AED 9,846,432 thousand), repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR.
- Murabaha and credit facility of AED 4,579,181 thousand (2018: AED 3,413,075 thousand), repayable over the period up to 2033. The facilities consists of AED 373,872 thousand (2018: AED 303,463 thousand) carrying a fixed rate of interest and AED 4,205,309 thousand (2018: AED 3,109,612 thousand) carrying a margin over LIBOR.
- Term loan facilities of AED 19,871,905 thousand repayable from one to eleven years (2018: AED 23,018,533 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 7,641,825 thousand (2018: AED 10,568,529 thousand) carrying a fixed rate of interest and AED 12,230,080 thousand (2018: AED 12,450,004 thousand) carrying a margin over LIBOR, EIBOR or MIDSWAP.

28 BORROWINGS AND LEASE LIABILITIES (continued)

(c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties (continued)

- Term loan facility from the MOF of AED 9,187,500 thousand (2018: AED 9,187,500 thousand), repayable in 2020 and carrying a margin over EIBOR.
- Term loan facility of AED 2,032,732 thousand repayable over the period up to 2030 (2018: AED 1,441,571 thousand), The facility consists of AED 841,366 thousand (2018: AED 720,785 thousand) carrying a fixed rate of interest and AED 1,191,366 thousand (2018: AED 720,786 thousand) carrying a margin over LIBOR.
- Term loan facility of AED 50,523,953 thousand, repayable over the period up to 2031 (2018: AED 9,989,508 thousand repayable over the period up to 2029). The facility consists of AED 13,683,332 thousand (2018: AED 2,264,689 thousand) carrying a fixed rate of interest and AED 36,840,621 thousand (2018: 7,724,819 thousand) carrying a margin over EIBOR and LIBOR (see note 28(e)).
- Wakala deposit of AED 955,782 thousand (2018: AED 955,782 thousand) from Department of Finance of the Government, carrying a fixed rate of profit. Subsequent to the year ended 31 December 2019, the Group exercised one-year option that extends the maturity date to 31 December 2020.
- Murabaha facility of AED 3,528,000 thousand (2018: 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 (2018: AED 750,000 thousand) repayable in 2021 and carrying a margin over EIBOR.
- Term loan facility of AED 534,632 thousand (2018: AED 531,170 thousand) repayable in 2022 and carrying a margin over LIBOR.
- Syndicated loan facility of AED 720,000 thousand (2018: AED 477,000 thousand) repayable over the period up to 2026 and carrying a margin over EIBOR.
- Islamic and conventional syndicated facilities of AED 1,691,345 thousand (2018: AED 1,228,697 thousand), repayable over the period up to 2025 and carrying a margin over LIBOR and EIBOR.
- Islamic and conventional syndicated facilities, and Wakala facilities of AED 1,422,850 thousand (2018: Islamic syndicated facility of AED 62,933 thousand), repayable over the period up to 2028 and carrying a margin over LIBOR and EIBOR.
- Term loan facility of AED 468,195 thousand, repayable over the period up to 2026 (2018: AED 477,750 thousand which were fully repaid in 2019) and carrying a fixed rate of interest.

The effective interest rate paid on the above averaged 4.1% per annum for the current year (2018: 4.0% per annum). These loans are mainly denominated in AED and USD.

(d) Bonds (including Sukuk)

	2019 AED'000	*2018 AED'000*
These instruments are denominated in the following currencies:		
US Dollar (see note (i) below)	**26,719,373**	29,720,774
UAE Dirham (see note (ii) below)	**6,596,553**	5,771,320
Korean Won	**193,381**	-
	33,509,307	35,492,094
Less: transaction costs	**(21,059)**	(26,583)
	33,488,248	35,465,511

These bonds (including sukuk) have been issued at fixed coupon rates varying from 3.51% to 5.75% (2018: 3.51% to 5.75%).

28 BORROWINGS AND LEASE LIABILITIES (continued)

(d) Bonds (including Sukuk) (continued)

(i) US Dollar denominated bonds with outstanding face value of USD 3,515,660 thousand (2018: USD 4,166,348 thousand) and USD 3,708,443 thousand (2018: USD 3,866,721 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 (2018: period up to 2028).

(ii) UAE Dirham denominated bonds of AED 6,596,553 thousand (2018: AED 5,771,320 thousand) issued by one of the Group subsidiaries under a Shari'ah compliant open-ended investment fund are repayable on demand to bond holders.

(e) Finance lease liabilities

As at the end of the prior year, finance lease liabilities were payable as follows:

31 December 2018

	Future lease payments AED'000	*Interest component AED'000*	*Present value of minimum lease payments AED'000*
Less than one year	7,076,750	(1,500,980)	5,575,770
Between one and five years	24,840,389	(4,043,408)	20,796,981
More than five years	19,356,165	(2,271,798)	17,084,367
	51,273,304	(7,816,186)	43,457,118

The carrying value of lease liabilities approximated their fair value. The fair value was 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 fell into level 2 of the fair value hierarchy.

The effective interest rate on finance lease liabilities for the prior year was 3.6%.

Borrowings related to assets subject to financing arrangements which are in-substance purchases, as defined in the Group's accounting policies applicable to leases, are disclosed as 'bank borrowings'. In this respect, liabilities with a carrying value of AED 39,694,707 thousand as at 31 December 2018 have been transferred from 'finance lease liabilities' to 'bank borrowings' on 1 January 2019. The interest expense incurred on these balances during the prior year amounted to AED 1,392,071 thousand, and it has been presented as 'finance charges on finance lease liabilities' within 'other finance costs'.

(f) Lease liabilities

Lease liabilities are payable as follows:

31 December 2019

	Future lease payments AED'000	***Interest component AED'000***	***Present value of lease payments AED'000***
Less than one year	**12,919,584**	**(3,053,419)**	**9,866,165**
Between one and five years	**39,457,969**	**(7,921,540)**	**31,536,429**
More than five years	**25,973,435**	**(4,091,629)**	**21,881,806**
	78,350,988	**(15,066,588)**	**63,284,400**

28 BORROWINGS AND LEASE LIABILITIES (continued)

(g) 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.

29 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.

31 December 2019

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*Notional amounts <1year AED'000*	*Notional amounts >1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	1,429,777	(880,947)	289,960,752	258,359,662	31,601,090
Foreign exchange options	38,931	(44,107)	14,839,726	14,407,345	432,381
Interest rate swaps / caps	5,349,659	(3,815,855)	352,950,859	117,345,790	235,605,069
Commodity options	7,184	(7,152)	1,774,959	1,122,320	652,639
	6,825,551	**(4,748,061)**	**659,526,296**	**391,235,117**	**268,291,179**
Derivatives held as cash flow hedges:					
Interest rate swaps	**187,912**	**(169,280)**	**26,622,355**	**9,848,690**	**16,773,665**
Derivatives held as fair value hedges:					
Interest rate swaps	**130,036**	**(646,030)**	**16,782,081**	**358,142**	**16,423,939**
Derivatives held as hedge of a net investment in foreign operations:					
Foreign exchange forward contracts	**-**	**(1,848)**	**293,235**	**293,235**	**-**
(A)	**7,143,499**	**(5,565,219)**	**703,223,967**	**401,735,184**	**301,488,783**
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps	2,503	-	2,503	2,503	-
Commodity contracts swaps and futures	1,646	(291,108)	21,610,161	21,610,161	-
Commodity options	-	(5,902)	133,770	133,770	-
	4,149	**(297,010)**	**21,746,434**	**21,746,434**	**-**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	7,792	(26,171)	3,779,678	3,779,678	-
Interest rate swaps	36,626	(471,906)	13,871,764	2,860,925	11,010,839
Commodity forward contracts	959,969	-	8,105,920	6,069,156	2,036,764
	1,004,387	**(498,077)**	**25,757,362**	**12,709,759**	**13,047,603**
Derivatives held as fair value hedges:					
Interest rate swaps	**4,454**	**-**	**552,848**	**94,098**	**458,750**
(B)	**1,012,990**	**(795,087)**	**48,056,644**	**34,550,291**	**13,506,353**
Total (A+B)	**8,156,489**	**(6,360,306)**	**751,280,611**	**436,285,475**	**314,995,136**

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 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

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Disclosed as follows:

	2019 AED'000	*2018* AED'000
Positive fair value of derivatives:		
Non-current assets	**5,642,225**	2,298,225
Current assets	**2,514,264**	2,027,505
Total	**8,156,489**	4,325,730
Negative fair value of derivatives:		
Non-current liabilities	**(4,613,338)**	(2,016,038)
Current liabilities	**(1,746,968)**	(1,880,089)
Total	**(6,360,306)**	(3,896,127)
Net fair value of derivatives (see note 16)	**1,796,183**	429,603

Derivative related credit risk - banking operations

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank and potential future fluctuations. The majority of the fair value of favourable contracts (and therefore credit risk) is exposure to financial institutions. All credit exposure is managed under approved facilities, and in many cases are collateralised under Credit Support Annex ("CSA"). The Bank takes a Credit Value Adjustment ("CVA") on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including foreign exchange, interest rates and commodities.

30 OTHER NON-CURRENT PAYABLES

	2019 AED'000	*2018* AED'000
Deferred revenue	**882,744**	877,121
Provision for aircraft return conditions	**6,048,893**	2,792,994
Deferred credits (non-current portion)	**-**	2,516,385
Retention payable (non-current portion)	**337,297**	279,388
Maintenance reserve and security deposits	**4,118,389**	4,073,749
Provision for construction warranty	**123,300**	141,837
Amounts due to Government, MOF and other related parties (see note 36(b))	**22,770**	24,765
Other provisions	**522,405**	319,932
Cylinder replacement costs	**23,127**	23,193
Others	**532,616**	432,280
	12,611,541	11,481,644

31 TRADE AND OTHER PAYABLES

	2019 *AED'000*	*2018* *AED'000*
Trade payables	**31,071,792**	28,369,648
Passenger and cargo sales in advance	**11,595,597**	10,854,947
Accrued interest / profit payable	**3,816,446**	2,686,182
Advance from customers	**2,844,254**	2,082,017
Amounts due to associates and joint ventures (see note 36(b))	**1,255,555**	1,081,040
Amounts due to Government, MOF and other related parties (see note 36(b))	**428,234**	322,622
Managers' cheques	**1,228,374**	1,238,897
Abandonment and decommissioning liability	**296,080**	236,549
Deferred revenue	**3,272,972**	3,529,381
Deferred credits (current portion)	**-**	322,145
Rehabilitation liabilities	**3,749**	3,664
Excess billings from construction contracts	**310,336**	266,670
Members' margin deposit	**20,235**	23,568
Dividend payable (includes payable on behalf of companies listed on the stock exchange)	**812,432**	680,316
Retention payable (current portion)	**539,094**	446,530
Provision for aircraft return conditions	**656,598**	740,376
Maintenance reserve and security deposits	**775,807**	732,545
Other provisions	**1,377,126**	1,558,511
Other payables and accruals	**13,230,755**	8,720,105
	73,535,436	63,895,713

32 CUSTOMER DEPOSITS

	2019 *AED'000*	*2018* *AED'000*
Demand, call and short notice	**128,554,455**	112,445,993
Time	**202,184,894**	133,819,096
Savings	**36,319,483**	26,737,564
Others	**6,085,521**	6,457,006
	373,144,353	279,459,659
Disclosed as follows:		
Non-current liabilities	**21,630,971**	9,299,577
Current liabilities	**351,513,382**	270,160,082
	373,144,353	279,459,659

The interest rates paid on the above deposits averaged 1.77% per annum for the current year (2018: 1.38% per annum).

Customer deposits (including Islamic customer deposits) include AED 4,845,014 thousand (2018: AED 3,024,926 thousand) deposits from Government, MOF and other related parties and AED 38,315 thousand (2018: AED 366,043 thousand) deposits from associates and joint ventures (see note 36(b)).

33 ISLAMIC CUSTOMER DEPOSITS

	2019 *AED'000*	*2018* *AED'000*
Time	**55,245,931**	28,158,225
Demand, call and short notice	**17,202,274**	14,227,095
Savings	**11,265,223**	10,014,757
Others	**388,480**	460,842
	84,101,908	52,860,919
Disclosed as follows:		
Non-current liabilities	**7,770,038**	438,635
Current liabilities	**76,331,870**	52,422,284
	84,101,908	52,860,919

The profit rates paid on the above deposits averaged 2.29% per annum for the current year (2018: 1.31% per annum).

34 NON-CONTROLLING INTERESTS

(a) Tier 1 Capital notes

Non-controlling interests as at 31 December 2019 include three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2014 ("2014 Notes") and 2019 ("2019 Notes") by the Bank for an amount of AED 4 billion, USD 500 million (AED 1.83 billion (net of issuance cost)), and USD 1 billion (AED 3.66 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 2014 Notes and 2019 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 carry no maturity dates and have been classified under equity as 'non-controlling interests'.

During the year, the Bank issued the aforementioned 2019 Notes and exercised its option to redeem Tier 1 capital notes issued in 2013 for an amount of USD 1 billion (AED 3.67 billion).

(b) Rights issue

During the year, the Bank completed a rights issue exercise by issuing new shares of 758,823,529 for an aggregate amount of AED 6,450 million. The shares were issued at a price of AED 8.50 per new share, compared to the nominal value of AED 1.00 per share.

The rights issue resulted in a AED 2,846,481 thousand increase in non-controlling interests; this has been disclosed under 'increase in non-controlling interests' in the statement of changes in equity.

(c) 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*	***2019***	*2018*
Emirates NBD PJSC	UAE	**44.24%**	44.24%

34 NON-CONTROLLING INTERESTS (continued)

(c) Material partly owned subsidiaries (continued)

The financial information of the Bank is provided below:

	2019 AED'000	*2018 AED'000*
Balances of material non-controlling interests	**41,909,750**	34,138,131
Profit allocated to material non-controlling interests	**6,787,718**	4,774,881
Dividend / interest paid to material non-controlling interests	**1,645,977**	1,576,475

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.

Summarised statement of comprehensive income for the year ended 31 December is set out below:

	2019 AED'000	*2018 AED'000*
Profit for the year	**14,503,683**	10,041,523
Total comprehensive income	**14,141,049**	9,865,456

Summarised statement of financial position as at 31 December is set out below:

	2019 AED'000	*2018 AED'000*
Current assets	**456,431,501**	352,660,920
Non-current assets	**226,889,063**	147,681,826
Current liabilities	**511,244,871**	380,240,940
Non-current liabilities	**90,468,832**	56,077,443

Summarised cash flow statement information for the year ended 31 December is set out below:

	2019 AED'000	*2018 AED'000*
Net cash flows from / (used in) operating activities	**29,172,245**	(12,668,582)
Net cash flows used in investing activities	**(20,432,868)**	(1,619,691)
Net cash flows from / (used in) financing activities	**3,533,005**	(2,997,966)
Net increase / (decrease) in cash and cash equivalents	**12,272,382**	(17,286,239)

35 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following contractual investment commitments as at 31 December:

	2019 **AED'000**	2018 AED'000
Investment securities	**138,681**	134,789
Investments in associates	**718,476**	719,206

(b) Capital commitments

Capital expenditure contracted for and still outstanding at the reporting date, is as follows:

	2019 **AED'000**	2018 AED'000
Capital commitments for the purchase of aircraft:		
Within one year	**14,401,008**	9,402,411
After one year but not more than five years	**108,804,309**	120,147,578
More than five years	**143,485,995**	177,095,431
	266,691,312	306,645,420
Contractual capital commitments in relation to other non-financial assets	**12,816,107**	17,824,724
Group's share of associates' and joint ventures' capital expenditure commitments	**6,390,272**	6,220,131
	285,897,691	330,690,275

(c) 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.

(d) Contingencies

The Group has the following contingent liabilities at the reporting date:

	2019 **AED'000**	2018 AED'000
Letters of credit	**14,923,938**	13,798,684
Financial guarantees	**67,602,921**	50,663,968
Performance bonds	**6,333,800**	5,635,595
Liabilities on risk participation	**175,090**	593,804
Group's share of financial guarantees issued by associates and joint ventures	**9,653,225**	9,044,104
Group's share of letters of credit issued by associates and joint ventures	**1,044,488**	1,050,379
Third party claims*	**1,014,592**	968,272

35 COMMITMENTS AND CONTINGENCIES (continued)

(d) Contingencies (continued)

* 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 is made to account for any adverse effects on their financial standing. 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, the approved rehabilitation plan of one of the Group's subsidiaries includes performance bonds and payment guarantees of AED 62,310 thousand as at 31 December 2019 (31 December 2018: AED 1,075,614 thousand) issued in the normal course of business. As at 31 December 2019, management estimates that AED 3,749 thousand (31 December 2018: AED 3,664 thousand) may crystallise and accordingly a provision was recognised for rehabilitation liabilities. This provision is subject to debt to equity swap and cash settlement.

(e) Operational commitments

One of the Group's subsidiaries has operational commitments of AED 2,804,326 thousand relating to sales and marketing as at 31 December 2019 (2018: AED 3,145,919 thousand).

(f) Undrawn loan commitments

The Group's banking operations (including the Group's share of associates) have undrawn loan commitments of AED 53,140,987 thousand outstanding at 31 December 2019 (2018: AED 30,878,457 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 the exact future cash requirements.

(g) ECL on unfunded exposures

As at 31 December 2019, ECL on unfunded exposures of the Bank amounted to AED 439 million in Stage 1 (exposure of AED 111,550 million) and AED 48 million in Stage 2 (exposure of AED 7,841 million).

As at 31 December 2018, ECL on unfunded exposures of the Bank amounted to AED 505 million in Stage 1 (exposure of AED 67,769 million) and AED 21 million in Stage 2 (exposure of AED 5,567 million). Unfunded exposure includes guarantees, standby letters of credit and undrawn loan commitments.

(h) Customer acceptances

Under IFRS 9, customer acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off-balance sheet commitment for customer acceptances.

36 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the owner, associates, joint ventures, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the 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 available in IAS 24, management has chosen not to disclose such transactions that are entered in the normal course of business with the said related Government entities.

36 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant transactions with related parties during the year 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***
31 December 2019				
Associates and joint ventures	**3,762,698**	**3,000,227**	**560,926**	**434,733**
Government, MOF and other related parties	**104,340**	**659,047**	**341,336**	**479,221**
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	659,162	412,788	374,194

(b) Significant amounts due from and due to related parties are as follows, further details of which are disclosed in notes 17, 19, 20, 21, 22, 28, 30, 31 and 32:

	2019		*2018*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**21,611,365**	**14,544,754**	22,220,093	12,354,929
Government, MOF and other related parties (see note 36(b)(i))	**7,710,279**	**15,704,033**	11,965,778	13,762,309
	29,321,644	**30,248,787**	34,185,871	26,117,238

(i) In addition to the above, there is an amount of AED 160,753,924 thousand (2018: AED 150,218,137 thousand) that represents loans and receivables provided by the Bank to the Government on normal commercial terms.

(ii) Impairment provisions of AED 182,355 thousand (2018: AED 180,443 thousand) and AED 82,241 thousand (2018: AED 79,058 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.

(iii) Investment securities include AED 236,213 thousand (2018: AED 107,396 thousand) with Government, MOF and other related parties.

36 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:

	2019	*2018*
	AED'000	*AED'000*
Short term benefits	**647,710**	672,860
End of service benefits	**45,997**	49,249
Directors' fees	**37,963**	38,424
Management fees charged by managers	**13,274**	14,908
	744,944	775,441

(d) The investments made in and disposals of 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 15 of these consolidated financial statements. In addition, a transaction with an associate has been disclosed in note 9(b) to the consolidated financial statements.

(e) The contributions from and distributions made to the Government have been disclosed in the statement of changes in equity, note 24 and note 25 to the consolidated financial statements.

37 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 2019

	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 16)	9,618,641	17,941,753	38,074,268	-	65,634,662
Islamic financing and investment products (see note 20)	-	-	71,408,178	-	71,408,178
Loans and receivables (see note 21)	-	-	381,118,174	-	381,118,174
Other non-current assets	-	-	6,367,225	-	6,367,225
Trade and other receivables	-	-	34,331,153	-	34,331,153
Customer acceptances	-	-	10,227,557	-	10,227,557
Cash and deposits with banks (see note 22)	-	-	175,618,121	-	175,618,121
Derivative financial assets					
Positive fair value of derivatives (see note 29)	-	-	-	8,156,489	8,156,489
	9,618,641	**17,941,753**	**717,144,676**	**8,156,489**	**752,861,559**
Financial liabilities					
Non-derivative financial liabilities					
Customer deposits (see note 32)	-	-	373,144,353	-	373,144,353
Islamic customer deposits (see note 33)	-	-	84,101,908	-	84,101,908
Borrowings and lease liabilities (see note 28)	-	-	302,297,117	-	302,297,117
Other non-current payables	64,811	-	11,886,108	-	11,950,919
Customer acceptances	-	-	10,227,557	-	10,227,557
Trade and other payables	-	-	55,061,385	-	55,061,385
Derivative financial liabilities					
Negative fair value of derivatives (see note 29)	-	-	-	6,360,306	6,360,306
	64,811	**-**	**836,718,428**	**6,360,306**	**843,143,545**

37 FINANCIAL RISK MANAGEMENT (continued)

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 16)	8,163,752	6,667,871	14,723,593	-	29,555,216
Islamic financing and investment products (see note 20)	-	-	71,026,050	-	71,026,050
Loans and receivables (see note 21)	-	-	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 22)	-	-	147,047,648	-	147,047,648
Derivative financial assets					
Positive fair value of derivatives (see note 29)	-	-	-	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 32)	-	-	279,459,659	-	279,459,659
Islamic customer deposits (see note 33)	-	-	52,860,919	-	52,860,919
Borrowings and lease liabilities (see note 28)	-	-	215,452,438	-	215,452,438
Other non-current payables	-	-	8,403,460	-	8,403,460
Customer acceptances	-	-	7,736,164	-	7,736,164
Trade and other payables	-	-	46,787,594	-	46,787,594
Derivative financial liabilities					
Negative fair value of derivatives (see note 29)	-	-	-	3,896,127	3,896,127
	-	-	610,700,234	3,896,127	614,596,361

The fair value of the above mentioned financial assets and liabilities (that are not stated at fair value) is not materially different from their carrying value.

37 FINANCIAL RISK MANAGEMENT (continued)

Overview

As a result of using financial instruments, the Group is exposed to the following main risks:

- 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.

The 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.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 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), derivative financial instruments, cash at bank, reverse repurchase agreements, customer acceptances, letters of credit, financial guarantees and undrawn loan commitments. 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.

Credit risk management and structure specific to the Bank
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.

Wholesale banking credit risk management
Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macroeconomic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert ("EA"), Watch List ("WL") & Impaired Non Performing Loans ("NPL") - The Bank has a well-defined process for identification of EA, WL & NPL accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPL accounts and impairment, in line with IFRS and regulatory guidelines.

Consumer banking credit risk management
The Bank has a structured management framework for Consumer Banking risk management. The framework enables the Bank in identification and evaluation of the significance of all credit risks that the Bank faces, which may have an adverse material impact on its financial position.

In the Consumer Banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to lending transactions.

The Bank's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Bank to prudently recognise impairment on its retail portfolios.

Model risk management and independent validation
The Bank has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

To manage the model risks, the Bank has implemented the Group Model Governance Framework (the "Framework"). The Framework is a Bank wide policy and is applicable to models in all entities and subsidiaries of the Bank. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect the financial reporting on Expected Loss ("EL") and Lifetime Expected Loss ("LEL") require independent validation.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk management and structure (continued)

Credit risk management and structure specific to the Bank (continued)

Model risk management and independent validation (continued)
The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the Board Risk Committee ("BRC") of the Bank.

The Bank has an independent validation function that performs independent model validation. It provides Fit-for-Purpose ("FFP"), Conditional Approval ("CA") or Not Fit-for-Purpose ("NFFP") recommendation for the BRC or an appropriately delegated authority to approve the use of the new risk quantification/valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process. The independency of the team enables it to serve as an effective second line of defense for the bank. Board Credit & Investment Committee ("BCIC") of the Bank is the ultimate authority to approve credits and has delegated credit approving authorities to sub-committees

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
- The required appropriate collateral to be held as security and financial guarantees.

Credit risk measurement
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.

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.

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.

Credit risk measurement specific to the Bank

Credit risk grading
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.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Credit risk grading (continued)
The following are additional considerations for each type of portfolio held by the Bank:

Retail:
After the date of initial recognition, for retail business, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. Any other known information about the borrower which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behavior score. This score is mapped to a PD.

Wholesale:
For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:
For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Bank's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Bank's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

Significant increase in credit risk
The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Wholesale:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Bank also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Bank defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The borrower is more than 90 days past due on its contractual payments.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Definition of default and credit-impaired assets (continued)

Qualitative:
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances like long-term forbearance, borrower is insolvent, borrower is entering bankruptcy etc.

Curing
The Bank continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

Forward-looking information incorporated in the ECL model
The assessment of significant increase in credit risk ("SICR") and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Credit risk monitoring
Wholesale Banking: the Bank's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

Consumer Banking: risks of the Bank's loan portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

Credit risk mitigation strategy
The Bank operates within prudential exposure ceilings set by its Board in line with UAE Central Bank guidelines. There are well laid out processes for exception management and escalation. The Bank has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Credit risk measurement (continued)

Credit risk measurement specific to the Bank (continued)

Credit risk mitigation strategy (continued)

The risk transfer in the form of syndicated loans, risk participation agreements with other banks, credit default swaps and sale of loans are globally accepted practices followed by the Bank, where appropriate, to limit its exposure.

Collateral management

Collateral 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.

Collateral is 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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk arising from financial assets at the reporting date was:

	2019 AED'000	*2018 AED'000*
Investment securities	**59,009,892**	23,839,871
Other non-current assets	**6,367,225**	9,652,830
Positive fair value of derivatives	**8,156,489**	4,325,730
Islamic financing and investment products	**71,408,178**	71,026,050
Loans and receivables	**381,118,174**	274,213,255
Trade and other receivables	**34,331,153**	28,256,941
Customer acceptances	**10,227,557**	7,736,164
Deposits with banks (including due from banks)	**171,022,764**	143,626,258
	741,641,432	562,677,099

The maximum exposure to credit risk relating to a financial guarantee and a letter of credit is the maximum amount the Group might have to pay if these are called on. The maximum exposure to credit risk relating to an undrawn loan commitment is the full amount of the commitment.

The table below shows the Group's maximum credit risk exposure arising from commitments and guarantees at the reporting date:

	2019 AED'000	*2018 AED'000*
Letters of credit	**14,923,938**	13,798,684
Financial guarantees	**67,602,921**	50,663,968
Liabilities on risk participation	**175,090**	593,804
Group's share of financial guarantees issued by associates and joint ventures	**9,653,225**	9,044,104
Group's share of letters of credit issued by associates and joint ventures	**1,044,488**	1,050,379
Undrawn loan commitments	**53,140,987**	30,878,457
	146,540,649	106,029,396

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Exposure to credit risk (continued)

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) are disclosed in notes 17, 19, 20 and 21.

37.2 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 maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date:

31 December 2019

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than one year AED'000*	*One to five years AED'000*	*More than five years AED'000*
Financial liabilities					
Customer deposits	**373,144,353**	**376,132,683**	**353,694,288**	**22,190,008**	**248,387**
Islamic customer deposits	**84,101,908**	**85,075,821**	**77,181,545**	**7,673,289**	**220,987**
Borrowings and lease liabilities	**302,297,117**	**350,381,109**	**102,193,687**	**139,869,530**	**108,317,892**
Other non-current payables	**11,950,919**	**13,823,700**	**-**	**8,160,931**	**5,662,769**
Customer acceptances	**10,227,557**	**10,227,557**	**10,227,557**	**-**	**-**
Trade and other payables	**55,061,385**	**55,095,706**	**54,385,791**	**701,385**	**8,530**
Negative fair value of derivatives	**6,360,306**	**6,293,098**	**1,736,288**	**2,724,252**	**1,832,558**
Total liabilities	**843,143,545**	**897,029,674**	**599,419,156**	**181,319,395**	**116,291,123**
Off-balance sheet commitments and contingencies					
Letters of credit and financial guarantees	**82,526,859**	**82,526,859**	**58,270,506**	**14,401,102**	**9,855,251**
Group's share of letters of credit and financial guarantees issued by associates and joint ventures	**10,697,713**	**10,697,713**	**7,692,860**	**2,304,190**	**700,663**
Undrawn loan commitments	**53,140,987**	**53,140,987**	**42,455,856**	**10,182,930**	**502,201**
Total off balance sheet items	**146,365,559**	**146,365,559**	**108,419,222**	**26,888,222**	**11,058,115**

37 FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

The following are the maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date: (continued)

31 December 2018

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than one year AED'000*	*One to five years AED'000*	*More than five years AED'000*
Financial liabilities					
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	94,474,281	89,914,826
Other non-current payables	8,403,460	8,976,920	-	6,180,121	2,796,799
Customer acceptances	7,736,164	7,736,164	7,736,164	-	-
Trade and other payables	46,787,594	46,831,029	46,458,055	227,472	145,502
Negative fair value of derivatives	3,896,127	3,891,526	1,879,616	1,304,127	707,783
Total liabilities	614,596,361	648,560,895	441,892,432	113,103,553	93,564,910
Off-balance sheet commitments and contingencies					
Letters of credit and financial guarantees	64,462,652	64,462,652	51,014,886	11,555,596	1,892,170
Group's share of letters of credit and financial guarantees issued by associates and joint ventures	10,094,483	10,094,483	6,845,980	2,740,251	508,252
Undrawn loan commitment	30,878,457	30,878,457	22,233,920	7,705,478	939,059
Total off balance sheet items	105,435,592	105,435,592	80,094,786	22,001,325	3,339,481

The Group is also exposed to liquidity risk in respect of those contingencies and commitments as are disclosed in notes 35 (a), (b) and (e).

37.3 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 Trading Desk listed below:

- Interest Rate Desk VaR;
- Foreign Exchange Desk VaR; and
- Overall Trading Book VaR.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

Market risk specific to banking operations (continued)

The year-end VaR numbers reported below have been derived using the following parameters:

- Statistical level of confidence: 99%
- Holding period: 1 business day
- Methodology: full revaluation, historical simulation using over 2 years of historical market data

Total value-at-Risk

By Trading Desk	*Average AED'000*	*Maximum AED'000*	*Minimum AED'000*	*Actual* AED'000*
31 December 2019				
Interest rate risk	**5,467**	**11,228**	**3,101**	**3,856**
Foreign exchange risk	**2,175**	**8,442**	**379**	**1,085**
Credit trading risk	**1,503**	**3,445**	**439**	**1,340**
Total	**7,308**	**18,215**	**4,258**	**5,039**
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

* 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:

	2019 ***AED'000*** **Long / (Short)**	*2018* *AED'000* Long / (Short)
U.S. Dollar (USD)	**(977,451)**	3,331,213
Oman Riyal (OMR)	**(268,762)**	(307,621)
Euro (EUR)	**565,274**	9,314
Saudi Riyal (SAR)	**(1,066,290)**	(443,688)
Turkish Lira (TRY)	**(1,981)**	2,394
Egyptian Pound (EGP)	**239,527**	88,823
Bahraini Dinar (BHD)	**(256,385)**	(244,256)

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.

37.3.1 Equity price risk

Equity price risk arises from investments in equity instruments measured at FVTPL and FVOCI at the reporting date. 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.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.1 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 331,239 thousand (2018: AED 285,767 thousand); an equal change in the opposite direction would have decreased the fair value of securities by AED 331,239 thousand (2018: AED 285,767 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 2019		
Effect of changes in equity portfolio of the Group	**131,321**	**331,239**
31 December 2018		
Effect of changes in equity portfolio of the Group	135,538	285,767

37.3.2 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.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2019		
Effect of changes in oil prices	**(60,119)**	**393,175**
31 December 2018		
Effect of changes in oil prices	(11,032)	(11,032)

At the reporting date, if the market price of crude oil had been USD 10 per barrel higher/lower, the crude oil under lift receivable would have been higher/lower by AED 13.60 million (2018: crude oil over lift payable would have been higher/lower by AED 45.57 million).

37.3.3 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 29.

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.3 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 and amortised cost. 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 2019		*31 December 2018*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**22,169,490**	**2,333,073**	16,951,915	3,305,288
Base Case	**19,836,417**	**-**	13,646,627	-
Rates Down 200 bp	**16,677,990**	**(3,158,427)**	9,737,839	(3,908,788)

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 revenue.

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 2019 Effect on		*31 December 2018 Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp increase in rates	**(702,903)**	**(280,472)**	(593,048)	(394,371)

37.3.4 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 37.3).

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.4 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, there is no foreign exchange risk involved in respect of monetary assets and liabilities denominated in USD 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.

37.4 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 adding up to AED 204,637,998 thousand as at 31 December 2019 (2018: AED 197,657,612 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.

38 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, downstream marketing, retailing of oil and gas, and refinery 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.

38 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2019 and 31 December 2018:

31 December 2019

	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***
Total revenue	34,307,992	119,923,979	60,606,226	25,672,982	240,511,179
Intra-segment revenue	(4,183)	(4,171,781)	-	(1,603,030)	(5,778,994)
Inter-segment revenue	(182,961)	(174,770)	(6,316,638)	(46,786)	(6,721,155)
Total revenue from external customers	**34,120,848**	**115,577,428**	**54,289,588**	**24,023,166**	**228,011,030**
Interest and similar income / income from Islamic financing and investment products	28,082,141	-	-	-	28,082,141
Lease revenue	44,443	4,115,128	186,694	1,135,951	5,482,216
Revenue from contracts with customers - IFRS 15:					
- Over a period of time	28,220	102,430,814	-	11,086,103	113,545,137
- Single point in time	5,962,095	9,031,486	54,102,894	11,622,227	80,718,702
Other revenue	3,949	-	-	178,885	182,834
Total revenue from external customers	**34,120,848**	**115,577,428**	**54,289,588**	**24,023,166**	**228,011,030**
Depreciation and impairment charge on property, plant and equipment, right-of-use assets, investment properties and development properties	**804,520**	**22,554,392**	**2,442,912**	**1,576,546**	**27,378,370**
Amortisation and impairment charge on intangible assets	**125,806**	**579,897**	**638,811**	**454,246**	**1,798,760**
Other finance cost	**223,454**	**7,385,931**	**492,035**	**1,634,075**	**9,735,495**
Other finance income	**115,689**	**585,299**	**333,763**	**734,772**	**1,769,523**
Share of results of equity accounted investees	**2,209,568**	**234,677**	**175,125**	**1,206,351**	**3,825,721**
Profit for the year before income tax	**17,318,815**	**5,393,672**	**465,421**	**2,745,945**	**25,923,853**

38 OPERATING SEGMENTS (continued)

The following table presents revenue and profit related information of the Group's operating segments for the year ended 31 December 2019 and 31 December 2018: (continued)

31 December 2018

	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*
Total revenue	24,195,928	121,204,262	77,255,500	23,353,772	246,009,462
Intra-segment revenue	-	(4,061,380)	-	(1,713,042)	(5,774,422)
Inter-segment revenue	(137,096)	(168,233)	(7,417,171)	(77,764)	(7,800,264)
Total revenue from external customers	24,058,832	116,974,649	69,838,329	21,562,966	232,434,776
Interest and similar income / income from Islamic financing and investment products	19,784,688	-	-	-	19,784,688
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	104,676,230	-	8,851,346	113,558,751
- Single point in time	4,193,740	8,099,803	69,617,179	11,367,008	93,277,730
Other revenue	5,941	-	-	183,539	189,480
Total revenue from external customers	24,058,832	116,974,649	69,838,329	21,562,966	232,434,776
Depreciation and impairment charge on property, plant and equipment, investment properties and development properties	526,077	12,173,603	1,779,990	1,532,516	16,012,186
Amortisation and impairment charge on intangible assets and release of advance lease rentals	57,766	1,044,388	14,491	475,000	1,591,645
Other finance cost	144,244	3,888,275	448,337	1,487,014	5,967,870
Other finance income	114,882	588,169	695,431	755,796	2,154,278
Share of results of equity accounted investees	2,018,931	278,731	112,848	2,316,714	4,727,224
Profit for the year before income tax	12,194,241	3,579,474	2,418,787	4,085,541	22,278,043

The cost of revenue of banking and financial services segment mainly includes interest and similar expense of AED 9,250 million (2018: AED 4,938 million). Cost of oil and gas products consumed and traded included in the cost of revenue of oil and gas products / services operating segment amounted to AED 51,044 million (2018: AED 69,648 million). The cost of revenue of the transportation and related services segment includes jet fuel cost, in-flight catering cost, and airport handling and operations cost of AED 22,443 million (2018: AED 25,654 million), AED 4,631 million (2018: AED 4,451 million) and AED 6,015 million (2018: AED 5,972 million) respectively.

38 OPERATING SEGMENTS (continued)

The following table presents assets and liabilities related information of the Group's operating segments as at 31 December 2019 and 31 December 2018:

31 December 2019

	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***
Segmental assets*	**711,483,535**	**238,958,738**	**45,492,110**	**124,303,977**	**1,120,238,360**
Segmental liabilities*	**598,476,332**	**194,133,985**	**25,334,703**	**51,578,408**	**869,523,428**

31 December 2018

	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*
Segmental assets*	526,920,848	189,962,460	43,036,608	117,392,344	877,312,260
Segmental liabilities*	431,851,865	141,000,574	20,963,118	47,199,947	641,015,504

* Assets and liabilities classified as held for sale as at 31 December 2019 and 31 December 2018 have not been considered for IFRS 8 – Operating Segments disclosures.

39 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 2019	*Beneficial interest 2018*	***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 methyl tertiary butyl ether (“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

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***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	**100.00%**	95.74%	UAE	Operations in aircraft leasing, maintenance, repair and overhaul
Kerzner International Holdings Ltd	**99.99%**	99.99%	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, Ministry of Interior and other government departments
Aswaaq LLC	**100.00%**	100.00%	UAE	Operations of retail supermarkets and retail trading
Smartstream Technologies Holding Investments Limited	**100.00%**	100.00%	UAE	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	**99.98%**	99.94%	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

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***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%**	90.00%	UAE	Leisure, hospitality, and leasing
ISS Global Forwarding One Person Company LLC	**100.00%**	100.00%	UAE	Global freight forwarding services
One Zaabeel Holdings LLC	**100.00%**	100.00%	UAE	Property development
ICD Hospitality & Leisure LLC	**100.00%**	100.00%	UAE	Holding company of entities engaged in leisure and hospitality activities
Dubai Global Connect LLC	**100.00%**	100.00%	UAE	Property development management
Ithra Europe Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure, real estate and hospitality
Ithra Africa Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Leisure, real estate and 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	Vehicle to issue EMTN funds
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%**	100.00%	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
DAE Funding LLC	**100.00%**	100.00%	Delaware	Borrower

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of Smartstream Technologies Holding Investments Limited				
SmartStream Technologies Limited	**100.00%**	100.00%	UK	Intellectual property ownership, software development, distribution, support, and implementation
SmartStream Technologies GmbH	**100.00%**	100.00%	Austria	Software development, distribution, support and implementation
SmartStream Technologies Inc.	**100.00%**	100.00%	USA	Software distribution, support and implementation
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
DenizBank A.S.	**100.00%**	-	UAE	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
Dragon Oil (Holdings) Limited	**100.00%**	100.00%	UAE	Upstream 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

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC (continued)				
ENOC Lubricants and Grease Manufacturing Plant L.L.C.	**100.00%**	100.00%	UAE	Lubricant and grease manufacturing
ENOC Retail L.L.C.	**100.00%**	100.00%	UAE	Service stations, retail, and marketing
Horizon Terminals Limited	**100.00%**	100.00%	Bahamas	Terminalling holding company
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 L.L.C.	**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	**80.72%**	79.70%	UAE	Electronic financial market
Nasdaq Dubai Limited	**87.14%**	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	Operating real estate assets
Atlantis the Palm 2 Development LLC	**100.00%**	100.00%	UAE	Real estate development
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

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
List of significant subsidiaries of ICD Hospitality and Leisure LLC (continued)				
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
ASSOCIATES:				
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%**	28.37%	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
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	Rental of storage tanks and provision of related downstream activities
Arabtank Terminals Limited	**36.50%**	36.50%	Saudi Arabia	Rental of storage tanks and provision of related downstream activities

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES: (continued)

List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC (continued)

	Beneficial interest 2019	*Beneficial interest 2018*	***Country of incorporation***	***Principal activities***
Gulf Energy Maritime (GEM) P.J.S.C.	**35.62%**	35.62%	UAE	Vessel ownership, ship management and operations, ship chartering and other ancillary services
Horizon Djibouti Holding Limited	**44.44%**	44.44%	Djibouti	Rental of storage tanks and provision of related downstream activities
Horizon Tangiers Terminals S.A.	**34.00%**	34.00%	Morocco	Rental of storage tanks and provision of related downstream activities
List of significant associates of Borse Dubai Limited				
Nasdaq, Inc. (see note 39.1)	**18.04%**	18.03%	USA	Stock Exchange
JOINT VENTURES:				
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 significant joint ventures of Emirates NBD PJSC				
Network International LLC (see note 15(a))	**-**	51.00%	UAE	Card processing services
List of significant joint ventures of Emirates National Oil Co. Limited (ENOC) LLC				
EPPCO International Limited	**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	**50.00%**	50.00%	UAE	Aluminium smelters
JA Power and Water Co. LLC	**50.00%**	50.00%	UAE	Power generation and water desalination

In a number of cases, the Group owns more than a 50% ownership interest in entities and has classified them as associates or 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.

39 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

39.1 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.

40 SUBSEQUENT EVENTS

40.1 The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded globally. Measures taken to contain and slow the spread of the virus such as limiting movements of people, restricting flights and temporarily closing businesses have significantly impacted global economic activity, including demand for crude oil. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimise the impact on individuals and corporates.

The Group considers this outbreak to be a non-adjusting post balance sheet event. Businesses across all operating segments of the Group are expected to be impacted to various degrees by COVID-19 and the management teams of ICD and its investee companies have been monitoring the situation closely.

Whilst there is currently limited visibility on how long the COVID-19 crisis will last and how quickly the level of activity will pick up once the crisis abates, management have focused on assessing the liquidity needs of the Group and support from key stakeholders, if required, to protect the businesses during the period of low activity.

Management have taken various actions to adjust the operations to the situation and preserve cash. These vary from one business to another and may include, for instance, some of the following: actions undertaken to manage costs and reduce operating expenditure, minimise working capital needs, defer non-essential capital expenditure, draw down on existing credit facilities, obtain temporary flexibility from lenders on existing facilities, and apply for additional facilities.

As the situation evolves quickly, management have been constantly assessing the adequacy of their plans and, where required, are adapting their course of action.

Management's current assessment of the impact on the Group's key subsidiaries is as follows:

Banking operations
The Bank is considering the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic, also taking into account the notices issued by the Central Bank of UAE with regards to the Targeted Economic Support Scheme ("TESS").

The Bank has initiated a programme of payment relief for its impacted customers by deferring interest/principal due for a period of one month to three months to address borrower cash flow issues. The Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the COVID-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or longer term in order to assess the impact on ECL.

For the quarter-ended 31 March 2020, the Bank has reported additional ECL of AED 878 million due to increase in the downturn weighting of the macroeconomic scenario and management overlays. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

40 SUBSEQUENT EVENTS (continued)

Aviation

The worldwide aviation market has been significantly disrupted in the short term, this disruption is expected to be followed by a gradual recovery as travel restrictions are lifted. As a global network airline, Emirates has been unable to viably operate its normal full passenger services and Emirates' revenue will therefore be negatively impacted as a result of the outbreak, although the full impact and the time period of the disruption is not possible to predict with certainty.

Emirates entered this crisis in a strong position, having previously reported profits for the past 32 years and an available cash balance of AED 20.2 billion as at 31 March 2020. Emirates has taken various measures to manage the business through this crisis, including compensating cost saving measures, reductions to discretionary capital expenditure and agreeing additional working capital facilities. These measures also include obtaining committed support from the Government which has publicly confirmed that the Government will financially support Emirates during this period through (a variety of measures including) an additional equity injection, if required.

Further, due to the impact of COVID-19 on Emirates, an impairment test was performed with no resulting impairment charge. Management continues to closely monitor the COVID-19 situation as part of its on-going impact assessment.

Oil and gas

Globally, oil and gas businesses have been particularly impacted by the outbreak because of decreased demand for crude oil which has not been matched by decreased production. Oil prices are nearing historic lows in some indices.

The Group's oil and gas businesses have put in place contingency measures to ensure safety of the workforce and business continuity. Production capacities are closely monitored and inventory levels are reassessed along with logistics readiness. Dependencies are also reviewed and suppliers have been contacted to assess levels of support.

As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

Whilst the Group's oil and gas businesses are actively engaged in adjusting their operations, they are equally active protecting their financial condition by taking actions to minimise cash outflows. Management seeks to preserve their cash reserves and can also rely on existing committed borrowing facilities to help them through the challenging market conditions.

Other businesses

COVID-19 has had an immediate impact on sectors such as hospitality, tourism, retail and real estate. It is also affecting supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services.

Retail:

The Group's significant retail operations comprise of duty free operations at the Dubai Airport. Government's measures to contain the virus have resulted in temporary closure of the stores. That, along with other operational challenges may have a material impact on the results for the year. Management believe that the business will be able to sustain itself due to the availability of sufficient cash reserves and no external debt.

Hospitality:

The Group's hospitality businesses have suffered from significantly low occupancy levels and temporary closures resulting from steps taken by governments to contain the virus. Exhibition and convention facilities have been impacted by the cancellation of events, travel restrictions and closures of facilities. Management is working on plans including cost savings and cash flow management to overcome challenges during the period of low activity.

Real estate and construction:

The Group's construction businesses have continued to deliver on projects, with restrictions in some territories. Rental properties with longer term rental contracts have not experienced a significant impact.

40 SUBSEQUENT EVENTS (continued)

40.2 Subsequent to the year-end, pursuant to the Law no. (3) of 2020, the Government transferred the full ownership of Dubai Multi Commodities Centre to ICD.

40.3 Subsequent to the year-end, Dubai Islamic Bank PJSC completed the acquisition of Noor Bank PJSC.