

# **Al Ramz Corporation Investment and Development P.J.S.C.**

Condensed consolidated interim financial statements

30 September 2019

**Principal business address:**

P.O. Box 32000

Abu Dhabi

United Arab Emirates

# **Al Ramz Corporation Investment and Development P.J.S.C.**

## Condensed consolidated interim financial statements

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed consolidated interim financial statements	1-2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7-17



KPMG Lower Gulf Limited  
Level 19, Nation Tower 2  
Abu Dhabi Corniche, UAE  
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

## **Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements**

To the Shareholders of Al Ramz Corporation Investment and Development P.J.S.C.

### *Introduction*

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of Al Ramz Corporation Investment and Development P.J.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2019;
- the condensed consolidated interim statement of comprehensive income for the three-month and the nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2019; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Fawzi AbuRass  
Registration No.: 968  
Abu Dhabi, United Arab Emirates  
Date: 30 OCT 2019

# Al Ramz Corporation Investment and Development P.J.S.C.

## Condensed consolidated interim statement of comprehensive income

For the nine-month period ended 30 September (Unaudited)

	<i>Note</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Net commission income		3,100	3,186	10,375	12,733
Finance income from margin receivables		10,642	10,601	31,218	33,623
Corporate finance, advisory and other income		3,837	5,435	8,864	38,413
Investment income, net	3	(525)	3,153	(9,144)	2,838
General and administrative expenses	4	(11,496)	(11,679)	(30,653)	(43,470)
Finance costs		(1,847)	(5,884)	(6,772)	(14,355)
<b>Profit for the period</b>		<b>3,711</b>	<b>4,812</b>	<b>3,888</b>	<b>29,782</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>3,711</b>	<b>4,812</b>	<b>3,888</b>	<b>29,782</b>
<b>Basic and diluted earnings per share (AED)</b>	14	<b>0.007</b>	0.008	<b>0.007</b>	0.054

The notes number 1 to 18 form an integral part of these condensed consolidated interim financial statements.

# Al Ramz Corporation Investment and Development P.J.S.C.

## Condensed consolidated interim statement of financial position

As at

	<i>Note</i>	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		26,410	23,897
Goodwill		24,570	24,570
		50,980	48,467
<b>Current assets</b>			
Margin receivables and prepayments	5	441,721	542,028
Guarantee deposits	5	30,202	30,900
Due from securities markets		7,250	8,725
Investments at fair value through profit or loss		213,442	258,623
Bank balances and cash	6	171,858	141,936
		864,473	982,212
<b>Total assets</b>		915,453	1,030,679
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	7	549,916	549,916
Acquisition reserve	8	(283,966)	(283,966)
Statutory reserve		60,649	60,649
General reserve		19,525	19,525
Retained earnings		131,428	127,540
<b>Total equity</b>		477,552	473,664
<b>Non-current liabilities</b>			
Employees' end of service benefits	9	5,673	5,434
<b>Current liabilities</b>			
Accounts payable and accruals	10	144,410	144,751
Due to securities markets		3,067	1,291
Short term borrowings	11	284,751	405,539
		432,228	551,581
<b>Total liabilities</b>		437,901	557,015
<b>Total equity and liabilities</b>		915,453	1,030,679



Chairman



Managing Director



Chief Operating Officer

The notes number 1 to 18 form an integral part of these condensed consolidated interim financial statements.

# Al Ramz Corporation Investment and Development P.J.S.C.

## Condensed consolidated interim statement of changes in equity

For the nine-month period ended 30 September

	Share capital AED'000	Acquisition reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018 ( <i>Audited</i> )	549,916	(283,966)	60,314	19,525	157,522	503,311
Total comprehensive income for the period	-	-	-	-	29,782	29,782
Dividend declared ( <i>note 17</i> )	-	-	-	-	(32,995)	(32,995)
	<u>549,916</u>	<u>(283,966)</u>	<u>60,314</u>	<u>19,525</u>	<u>154,309</u>	<u>500,098</u>
Balance at 30 September 2018 ( <i>Unaudited</i> )	<u>549,916</u>	<u>(283,966)</u>	<u>60,314</u>	<u>19,525</u>	<u>154,309</u>	<u>500,098</u>
	<u><b>549,916</b></u>	<u><b>(283,966)</b></u>	<u><b>60,649</b></u>	<u><b>19,525</b></u>	<u><b>127,540</b></u>	<u><b>473,664</b></u>
Balance at 1 January 2019 ( <i>Audited</i> )	<b>549,916</b>	<b>(283,966)</b>	<b>60,649</b>	<b>19,525</b>	<b>127,540</b>	<b>473,664</b>
Total comprehensive income for the period	-	-	-	-	<b>3,888</b>	<b>3,888</b>
	<u><b>549,916</b></u>	<u><b>(283,966)</b></u>	<u><b>60,649</b></u>	<u><b>19,525</b></u>	<u><b>131,428</b></u>	<u><b>477,552</b></u>
Balance at 30 September 2019 ( <i>Unaudited</i> )	<u><b>549,916</b></u>	<u><b>(283,966)</b></u>	<u><b>60,649</b></u>	<u><b>19,525</b></u>	<u><b>131,428</b></u>	<u><b>477,552</b></u>

The notes number 1 to 18 form an integral part of these condensed consolidated interim financial statements.

# Al Ramz Corporation Investment and Development P.J.S.C.

## Condensed consolidated interim statement of cash flows

For the nine month period ended 30 September (Unaudited)

	<i>Note</i>	<b>2019</b> <b>AED'000</b>	2018 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		<b>3,888</b>	29,782
<i>Adjustments for:</i>			
Depreciation		<b>1,863</b>	2,111
Provision for employees' end of service benefits		<b>801</b>	1,380
Interest income		<b>(1,515)</b>	(1,382)
Unrealized loss on investments carried at fair value through profit or loss		<b>12,521</b>	20,750
Dividends income		<b>(7,562)</b>	(1,213)
Gain on disposal of property and equipment		<b>(18)</b>	(7)
Finance costs		<b>13,095</b>	17,970
		<b>23,073</b>	69,391
Changes in:			
Margins receivables and prepayments		<b>100,307</b>	37,144
Guarantee deposits		<b>698</b>	2,557
Due from/to securities markets		<b>3,251</b>	(28,071)
Accounts payable and accruals		<b>(341)</b>	(74,240)
Cash generated from operating activities		<b>126,988</b>	6,781
Employees' end of service benefits paid		<b>(562)</b>	(657)
Net cash from operating activities		<b>126,426</b>	6,124
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		<b>(4,406)</b>	(3,016)
Proceeds from disposal of property and equipment		<b>48</b>	134
Purchase of investments carried at fair value through profit or loss		<b>(155,708)</b>	(356,183)
Sale of investments carried at fair value through profit or loss		<b>188,368</b>	172,018
Interest income received		<b>1,515</b>	1,382
Dividends income		<b>7,562</b>	1,213
Net cash from / (used in) investing activities		<b>37,379</b>	(184,452)
<b>Cash flows from financing activities</b>			
Short term borrowings, net		<b>(120,918)</b>	224,100
Dividends paid		<b>-</b>	(32,995)
Finance costs paid		<b>(13,095)</b>	(17,970)
Net cash (used in) / from financing activities		<b>(134,013)</b>	173,135
<b>Increase in cash and cash equivalents</b>		<b>29,792</b>	(5,193)
Cash and cash equivalents at the beginning of the period		<b>16,564</b>	27,785
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>46,356</b>	22,592

The notes number 1 to 18 form an integral part of these condensed consolidated interim financial statements.

# Al Ramz Corporation Investment and Development P.J.S.C.

## Notes to the condensed consolidated interim financial statements

### 1 Reporting entity

Founded in 1998, Al Ramz Corporation Investment and Development P.J.S.C (“the Company”) is a UAE domiciled public joint stock company listed on Dubai Financial Market and regulated by UAE Securities and Commodities Authority as well as the Dubai Financial Services Authority. Al Ramz is a premier financial institution providing a broad spectrum of services including asset management, corporate finance, brokerage, lending, market making, liquidity providing and research.

The main activities of the Company and its subsidiaries (together referred to as “the Group”) are to invest and manage commercial, industrial and agricultural enterprises and to provide brokerage services including brokerage in selling and buying shares, margin trading, market making and liquidity providing and to perform all related transactions and activities.

The Company’s registered office is P.O. Box 32000, Abu Dhabi, United Arab Emirates.

These condensed consolidated interim financial statements were approved and authorised for issue by the Group’s Board of Directors on 30 OCT 2019.

### 2 Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2018.

They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

These condensed consolidated interim financial statements have been presented in United Arab Emirates Dirhams (“AED”), which is the functional currency of the Group and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

#### 2.1 *New currently effective requirements*

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new IFRSs and amendments as of 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 2 Basis of accounting (continued)

### 2.1 New currently effective requirements (continued)

The IASB issued a new standard for accounting for leases in January 2016. a) The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. b) Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'shortterm' leases and leases of 'low-value' assets. c) Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. The Group has assessed the impact of the above standard. Based on the assessment, the above standard has no significant impact on the financial statements of the Group as at the reporting date.

The adoption of the other standards and interpretations above had no significant impact on the Group's consolidated financial position or performance.

### 2.2 Standards issued but not yet effective

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

### 2.3 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

### 2.4 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries for the nine months period ended 30 September 2019.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries listed below:

	<b>Country of Incorporation</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
		<b>%</b>	<b>%</b>
Al Ramz Capital LLC	<b>UAE</b>	<b>99</b>	99
ARC Real Estate LLC	<b>UAE</b>	<b>99</b>	99
ARC Investment LLC	<b>UAE</b>	<b>99</b>	99
ARC Properties LLC	<b>UAE</b>	<b>99</b>	99

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 2 Basis of accounting (continued)

### 2.4 Basis of consolidation (continued)

The above subsidiaries are considered as wholly owned by the Group as non-controlling interest is held for the beneficial interest of the Group. Accordingly, no non-controlling interest is accounted for in relation to these entities in these condensed consolidated interim financial statements.

Generally, the Group is operating in a single segment; the brokerage and money markets, in single geographic area; the United Arab Emirates.

## 3 Investment income, net

	Three months ended 30 September		Nine months ended 30 September	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Unrealised gain / (loss) on investments carried at fair value through profit of loss	987	(18,205)	(12,521)	(20,812)
Realised gain on investments carried at fair value through profit or loss	208	23,352	2,679	26,370
Dividend income	-	-	7,562	1,213
Custody and service fees	(25)	(208)	(541)	(318)
Finance costs	(1,695)	(1,786)	(6,323)	(3,615)
	<b>(525)</b>	<b>3,153</b>	<b>(9,144)</b>	<b>2,838</b>

## 4 General and administrative expenses

	Three months ended 30 September		Nine months ended 30 September	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Staff costs	8,109	8,284	21,643	30,282
Depreciation	497	722	1,863	2,111
Subscription and membership	784	1,061	2,101	2,560
Legal expenses	125	42	500	1,489
IT expenses	494	294	997	705
Advertisement and marketing	207	148	653	1,291
Rent expenses	91	244	297	749
Communication expenses	117	156	394	590
Other expenses	1,072	728	2,205	3,693
	<b>11,496</b>	<b>11,679</b>	<b>30,653</b>	<b>43,470</b>

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 5 Margin receivables, prepayments and guarantee deposits with markets

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Margin receivables	<b>414,100</b>	422,700
Trade receivables, net	<b>20,227</b>	112,883
Prepayments and other receivables	<b>7,394</b>	6,445
	<b>441,721</b>	542,028
	<b>30,202</b>	30,900

The Group is licensed to provide finance to its clients as a percentage of the market value of pledged securities. The Group charges interest on amounts due.

Customers are required to provide additional cash or securities if the price of pledged securities drops against the minimum eligibility of 125%. If minimum eligibility is breached, the Group commence liquidation of pledged securities. The fair value of pledged securities held as collateral against margin receivables amounted to AED 1,048,055 thousand as at 30 September 2019 (31 December 2018: AED 1,761,007 thousand).

There are no significant changes to the overall commitments to extend margins during the period. Such commitments are revocable in nature.

At 30 September 2019, the Group had certain exposures against which allowances amounting to AED 2,658 thousand (31 December 2018: AED 3,458 thousand) were held.

Guarantee deposits are held with commercial banks in the UAE as collateral against letters of guarantee issued by the banks. These are denominated in UAE Dirhams, with an effective interest rate of 3% (31 December 2018: 3%) per annum.

## 6 Bank balances and cash

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Cash in hand	<b>59</b>	139
Current account balances with banks	<b>138,793</b>	109,574
Deposit account balances with banks	<b>33,006</b>	32,223
	<b>171,858</b>	141,936

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 6 Bank balances and cash (continued)

Bank balances are located within the UAE. Bank deposits carry interest at market rates. Bank balances include balances amounting to AED 33,984 thousand (31 December 2018: 32,200 thousand) held as security against bank overdrafts.

Cash and cash equivalents comprise of the following:

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Bank balance and cash	<b>171,858</b>	141,936
Bank overdrafts (note 11)	<b>(125,502)</b>	(125,372)
	<b>46,356</b>	16,564

## 7 Share capital

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
<i>Authorised, issued and fully paid share capital:</i> 549,915,858 shares of AED 1 each	<b>549,916</b>	549,916

## 8 Acquisition reserve

An addition was made to share capital of AED 399,916 thousand in 2016, which represents an adjustment made to bring the share capital equal to share capital of Al Ramz Corporation Investment and Development PJSC with corresponding debit to acquisition reserve bringing the acquisition reserve to a total debit balance of AED 283,966 thousand.

## 9 Employees' end of service benefits

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Beginning of the period / year	<b>5,434</b>	4,781
Charge for the period / year	<b>801</b>	1,668
Paid during the period / year	<b>(562)</b>	(1,015)
As at the end of the period / year	<b>5,673</b>	5,434

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 10 Accounts payable and accruals

	<b>30 Septemebr 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Trading payables	<b>134,026</b>	129,600
Accrued expenses	<b>3,852</b>	5,153
Other payables	<b>6,532</b>	9,998
	<b>144,410</b>	144,751

## 11 Short term borrowings

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Facility 1	<b>10,460</b>	-
Facility 2	<b>16,900</b>	16,900
Facility 3	<b>46,426</b>	56,979
Facility 4	<b>17,167</b>	56,593
Facility 5	<b>33,016</b>	51,281
Facility 6	<b>35,280</b>	33,448
Facility 7	-	39,182
Facility 8	-	14,337
Facility 9	-	11,447
Bank overdrafts	<b>125,502</b>	125,372
	<b>284,751</b>	405,539

### Facility 1

This represents loan obtained from a shareholder. It carries interest at prevailing market rate. The term of the agreement is one month, renewed automatically.

### Facility 2, 3, 4, 5 and 6

These represent short term facilities obtained from local banks to finance the purchase of investments at fair value through profit or loss and are secured by these investments. They carry interest at prevailing market rates and are repayable within 12 months from the reporting date.

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 11 Short term borrowings (continued)

### Facility 7

This represents a Wakala Agreement obtained from a financing company to finance the purchase of investments at fair value through profit or loss and is secured by these investments. It carries interest at market rate and have been repaid during the period (year ended 31 December 2018: repayable within 5 months from the reporting date).

### Facility 9

This represents loan obtained to finance a short-term transaction. It carries fixed interest rate. The term of the agreement is three months, renewed automatically. This loan was settled during the period.

### Bank overdrafts

These carry interest at prevailing market rates. Bank overdrafts are secured against promissory note, personal guarantee of a related party, security cheques and bank balances.

## 12 Related parties

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Board.

Transactions with related parties included in the condensed consolidated interim statement of comprehensive income are as follows:

	<b>30 September 2019 AED'000 (Unaudited)</b>	30 September 2018 AED'000 (Audited)
Commission income	<b>84</b>	365
Finance income	<b>916</b>	312
Finance cost	<b>1,624</b>	1,322

Balances with related parties reflected in the condensed consolidated interim statement of financial position are as follows:

	<b>30 September 2019 AED'000 (Unaudited)</b>	31 December 2018 AED'000 (Audited)
Loans from related parties	<b>27,360</b>	31,237
Margin receivables	<b>15,905</b>	18,176
Trade accounts receivable	<b>27</b>	6,272
Trade accounts payable	<b>107</b>	157

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 12 Related parties *(continued)*

### Terms and conditions of transactions with related parties

Outstanding balances at the year / period - end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the nine months ended 30 September 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties *(year ended 31 December 2018: nil)*.

## 13 Commitments and contingencies

The Group's bankers have issued guarantees amounting to AED 81 million *(31 December 2018: AED 120 million)* in respect of securities market requirements for financial brokers.

The Group had no capital commitments and contingencies at the reporting date *(31 December 2018: nil)*.

The Group had a financial commitment of AED 24.5 million *(31 December 2018: nil)* at the reporting date in relation to the full acquisition of a UAE domiciled financial entity. The acquisition is pending regulatory approval.

## 14 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of any financial instruments with dilutive effects.

	Three months ended 30 September		Nine months ended 30 September	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Profit for the period (AED'000s)	3,711	4,812	3,888	29,782
Weighted average number of shares ('000s)	549,916	549,916	549,916	549,916
Basic and diluted earnings per share	<u>0.007</u>	<u>0.008</u>	<u>0.007</u>	<u>0.054</u>

## 15 Fiduciary activities

The Group held assets under management in a fiduciary capacity for its customers at 30 September 2019 amounting to AED 259,104 thousand *(31 December 2018: AED 274,952 thousand)*. These assets held in a fiduciary capacity are excluded from these condensed consolidated interim financial statements of the Group.

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 16 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

### *IFRS 16 Leases*

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

#### **A. Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement is or contains 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.

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

#### **B. As a lessee**

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

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

##### *i. Leases classified as operating leases under IAS 17*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

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

# Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the condensed consolidated interim financial statements

## 16 Changes in significant accounting policies *(continued)*

### *IFRS 16 Leases (continued)*

#### **B. As a lessee *(continued)***

##### *i. Leases classified as operating leases under IAS 17 (continued)*

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### *ii. 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 at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

#### **C. As a lessor**

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

#### **D. Impacts on financial statements**

Based on management assessment, the Group has determined the application of IFRS 16 at 1 January 2019 does not result in a significant impact on the condensed consolidated interim financial statements.

# **Al Ramz Corporation Investment and Development P.J.S.C.**

Notes to the condensed consolidated interim financial statements

## **17 Dividends declared**

In their Annual General Meeting (AGM) held on 19 March 2019, the Shareholders of the Group have resolved no dividends to be distributed for the year ended 31 December 2018.

In their Annual General Meeting (AGM) held on 19 March 2018, the Shareholders of the Group have resolved to distribute an amount of AED 32,995 thousand as dividends for the year ended 31 December 2017.

## **18 Comparative figures**

Certain comparative figures have been reclassified to conform to current period's classification with no impact on profit or retained earnings.