Emirates Driving Company P.J.S.C.

BOARD OF DIRECTORS REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Emirates Driving Company P.J.S.C.

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2019

شركة الإمارات لتعليم قيادة السيارات
EMIRATES DRIVING COMPANY

Board of Directors Report

Year of 2019

Financial Aspect (Consolidated):

- Emirates Driving Group recorded net profit (attributable to equity holders) for the year ended 31 December 2019 amounting to **AED 113,097,682** (2018: **AED 94,380,562)**. Net profit for the year 2019 increased by **19.83%** as compared with 2018.
- The Group's total revenues for the year 2019 from continuing operations amounted to **AED 229,105,069** (Including Training Revenue AED 209,338,391 - Rental Income AED 5,458,637 and Other Income AED 14,308,041) (2018: **AED 216,538,277)** which has increased by 5.8%.
- The Group's total expenses (including direct expenses, general and administrative expenses, change in fair value of investment property and finance cost) for the year 2019 decreased by **5.19%** with a value of **AED 116,392,293** (2018: **AED 122,760,775)**.
- The number of registered students in both theoretical & practical training increased by around **13.56%** for the period from January to December 2019 (**119,072**) students registered compared to (**104,850**) student for same period of 2018. Being in Abu Dhabi, (**81,572**) students in Al-Ain and (**31,929**) students in Madynat Zayed (**3,793**) students and registered (**1,778**) students in Dalma branch.

Chairman of the Board

ABU DHABI U.A.E EMIRATES DRIVING COMPANY P.S.C

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Emirates Driving Company P.J.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES DRIVING COMPANY P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Emirates Driving Company P.J.S.C (the "Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES DRIVING COMPANY P.J.S.C continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued
(a) *Valuation of investment property* (refer to note 8 in the consolidated financial statements)
The Group's investment property amounted to AED 153,600,000 representing 19% of total assets as at 31 December 2019.

The Group accounts for investment property initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the consolidated statement of profit or loss. The Group uses an independent valuer to determine the fair value of the investment property on an annual basis.

As the fair value is determined based on level 3 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment property. We have identified the recognition and valuation of investment property as a key audit matter in view of the significant judgments involved.

As part of our audit procedures, we have:

- Obtained an understanding of the design and implementation of key controls around the underlying processes and methodologies implemented by management in recognizing and performing valuation of investment property;
- Assessed the external valuer's competence, capabilities and objectivity by perusing their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed any scope limitations in their work;
- Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the external valuer. With the assistance of our real estate specialists, we have assessed whether the valuation was performed in accordance with Royal Institution of Chartered Surveyors Valuation Professional Standards;
- Gained an understanding of the external valuer's valuation methodologies and their assumptions applied such as rental yields, discount rates etc. by comparing yields on a sample of similar properties and by evaluating the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions; and
- Compared a sample of key inputs used in the valuation models, such as rental income, occupancy and current tenancy contracts to lease contracts to ensure the accuracy of the information supplied to the external valuer by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES DRIVING COMPANY P.J.S.C continued

Report on the Audit of the Consolidated Financial Statements continued

(b) Revenue recognition (refer to note 3 in the consolidated financial statements)

Revenue recognition is considered to be a key area of focus given that it comprises of high volume of low value transactions. In addition, as a result of limitations in the IT system and applications used for the recording of revenue transactions, manual intervention is required to arrive at the earned revenue, which increases the risk of error while processing transactions. During the year ended 31 December 2019, total revenues of the Group amounted to AED 209,338,391.

We assessed management's calculation of the Group's revenue by performing audit procedures, which included among others:

- We understood the Group's revenue recognition policies and how they are applied, including the relevant controls;
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenues in the current period;
- We agreed a sample of revenue items recognised during the year to supporting documents to verify accuracy of amounts recorded; and
- We performed procedures to ensure that the revenue recognition criteria adopted by the Group is appropriate and in line with the Group's accounting policies.

Other information

Other information consists of the information included in the Group's 2019 Annual Report and Board of Director's report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2019 Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

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

Report on the Audit of the Consolidated Financial Statements continued

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES DRIVING COMPANY P.J.S.C continued

Report on the Audit of the Consolidated Financial Statements continued

Auditors' responsibilities for the audit of the consolidated financial statements continued

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

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

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

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

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

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES DRIVING COMPANY P.J.S.C continued

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

iv) the consolidated financial information included in the Board of Directors report is consistent with the books of account and records of the Group;

v) investments in shares and stocks are included in note 10 in the consolidated financial statements and includes purchases and investments made by the Group during the year ended 31 December 2019;

vi) note 18 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2019, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

viii) there were no social contributions made by the Group during the year.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

24 February 2020
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	*2019* *AED*	*2018* *AED*
Continuing operations			
Revenue	3	**209,338,391**	196,000,348
Direct expenses	4	**(43,581,229)**	(48,999,932)
GROSS PROFIT		**165,757,162**	147,000,416
Rental income (net)	8	**5,458,637**	5,842,630
Dividends income		**5,407,000**	5,407,000
Interest income		**6,140,483**	4,167,288
Other income		**2,760,558**	5,121,011
General and administrative expenses	5	**(58,374,696)**	(62,760,843)
Change in fair value of investment property	8	**(11,400,000)**	(11,000,000)
Finance costs	2.2	**(3,036,368)**	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**112,712,776**	93,777,502
Discontinued operations			
Profit from discontinued operations	21	**769,812**	1,206,121
PROFIT FOR THE YEAR		**113,482,588**	94,983,623
Profit for the year attributable to:			
Equity holders of the parent		**113,097,682**	94,380,562
Non-controlling interests		**384,906**	603,061
		113,482,588	94,983,623
Basic and diluted earnings per share from continuing and discontinued operations	6	**1.259**	1.051
Basic and diluted earnings per share from continuing operations	6	**1.255**	1.044

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	***2019 AED***	*2018 AED*
Profit for the year		**113,482,588**	94,983,623
Other comprehensive loss			
Items that will not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Directors' remuneration paid	19	**(7,804,484)**	(8,337,395)
Change in fair value of financial assets at fair value through other comprehensive income	10	**(2,216,870)**	-
Other comprehensive loss for the year		**(10,021,354)**	(8,337,395)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**103,461,234**	86,646,228
Total comprehensive income attributable to:			
Equity holders of the parent		**103,076,328**	86,043,167
Non-controlling interests		**384,906**	603,061
		103,461,234	86,646,228

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019 AED*	*2018 AED*
ASSETS			
Non-current assets			
Property and equipment	7	**213,609,035**	227,400,839
Right-of-use assets	2.2	**42,757,494**	-
Investment property	8	**153,600,000**	165,000,000
Intangible assets	9	**1,687,616**	1,296,816
Financial assets at fair value through other comprehensive income	10	**35,956,550**	38,173,420
		447,610,695	431,871,075
Current assets			
Inventories		**2,301,543**	2,870,969
Trade and other receivables	11	**9,241,422**	20,807,248
Cash and bank balances	12	**313,385,894**	253,509,115
		324,928,859	277,187,332
Assets classified as held for sale	21	**23,953,128**	-
		348,881,987	277,187,332
TOTAL ASSETS		**796,492,682**	709,058,407
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**89,786,400**	89,786,400
Legal reserve	14	**44,893,200**	44,893,200
General reserve	15	**44,893,200**	44,893,200
Cumulative changes in fair value		**22,249,525**	24,466,395
Retained earnings		**486,368,155**	448,414,757
Equity attributable to equity holders of the parent		**688,190,480**	652,453,952
Non-controlling interests		**14,591,365**	20,206,459
Total equity		**702,781,845**	672,660,411
Non-current liabilities			
Employees' end of service benefits	16	**4,715,536**	4,796,482
Lease liabilities	2.2	**43,122,546**	-
		47,838,082	4,796,482
Current liabilities			
Trade and other payables	17	**42,943,221**	31,601,514
Lease liabilities	2.2	**659,128**	-
		43,602,349	31,601,514
Liabilities directly associated with assets classified as held for sale	21	**2,270,406**	-
		45,872,755	31,601,514
Total liabilities		**93,710,837**	36,397,996
TOTAL EQUITY AND LIABILITIES		**796,492,682**	709,058,407

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Attributable to the equity holders of the Parent							
	Share capital AED	*Legal reserve AED*	*General reserve AED*	*Cumulative Change in fair value AED*	*Retained earnings AED*	*Equity attributable to equity holders of the parent AED*	*Non-controlling interests AED*	*Total equity AED*
Balance at 1 January 2018	89,786,400	44,893,200	44,893,200	24,466,395	416,243,430	620,282,625	19,603,398	639,886,023
Profit for the year	-	-	-	-	94,380,562	94,380,562	603,061	94,983,623
Other comprehensive loss for the year	-	-	-	-	(8,337,395)	(8,337,395)	-	(8,337,395)
Total comprehensive income for the year	-	-	-	-	86,043,167	86,043,167	603,061	86,646,228
Dividends paid (note 19)	-	-	-	-	(53,871,840)	(53,871,840)	-	(53,871,840)
Balance at 31 December 2018	89,786,400	44,893,200	44,893,200	24,466,395	448,414,757	652,453,952	20,206,459	672,660,411
Balance at 1 January 2019	89,786,400	44,893,200	44,893,200	24,466,395	448,414,757	652,453,952	20,206,459	672,660,411
Profit for the year	-	-	-	-	113,097,682	113,097,682	384,906	113,482,588
Other comprehensive loss for the year	-	-	-	(2,216,870)	(7,804,484)	(10,021,354)	-	(10,021,354)
Total comprehensive income for the year	-	-	-	(2,216,870)	105,293,198	103,076,328	384,906	103,461,234
Dividends paid to non-controlling interests (note 19)	-	-	-	-	-	-	(6,000,000)	(6,000,000)
Dividends paid (note 19)	-	-	-	-	(67,339,800)	(67,339,800)	-	(67,339,800)
Balance at 31 December 2019	**89,786,400**	**44,893,200**	**44,893,200**	**22,249,525**	**486,368,155**	**688,190,480**	**14,591,365**	**702,781,845**

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
OPERATING ACTIVITIES			
Profit for the year from continuing operations		112,712,776	93,777,502
Profit for the year from discontinuing operations	21	769,812	1,206,121
		113,482,588	94,983,623
Adjustments for:			
Depreciation of property and equipment	7	15,107,234	16,685,024
Depreciation of right-of-use assets	2.2	1,359,045	-
Amortisation of intangible assets	9	1,109,200	820,165
Change in fair value of investment properties	8	11,400,000	11,000,000
Provision for employees' end of service benefits, net	16	1,533,321	645,763
Allowance for obsolete inventories		339,452	-
Allowance for expected credit losses	11	249,301	-
Finance costs	2.2	3,036,368	-
Gain on disposal of property and equipment		-	(294,823)
Dividend income		(5,407,000)	(5,407,000)
Interest income		(6,140,483)	(4,167,288)
		136,069,026	114,265,464
Working capital adjustments:			
Inventories		229,974	(711,148)
Trade and other receivables		3,775,128	3,361,576
Trade and other payables		13,423,986	(7,107,971)
Cash from operations		153,498,114	109,807,921
Employees' end of service benefits paid	16	(1,413,516)	(2,562,037)
Directors' remuneration paid		(7,804,484)	(8,337,395)
Net cash generated from operating activities		144,280,114	98,908,489
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(18,316,276)	(5,548,535)
Interest received		5,583,376	3,748,264
Purchase of intangible assets	9	-	(20,946)
Proceeds from disposal of property and equipment		-	302,880
Dividends received		5,407,000	5,407,000
Movement in term deposits with original maturities greater than three months		11,400,435	(30,673,856)
Cash from (used in) financing activities		4,074,535	(26,785,193)
FINANCING ACTIVITIES			
Dividends paid to equity holders of the parent	19	(67,339,800)	(53,871,840)
Dividends paid to non-controlling interests	19	(6,000,000)	-
Payment of lease liabilities	2.2	(3,371,233)	-
Net cash flows used in financing activities		(76,711,033)	(53,871,840)
NET INCREASE IN CASH AND CASH EQUIVALENTS		71,643,616	18,251,456
Cash and cash equivalents at the beginning of the year		82,068,167	63,816,711
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	153,711,783	82,068,167
Significant non-cash transactions:			
Transfer from property and equipment to intangible assets	7 & 9	1,500,000	-
Property and equipment adjusted against employees' end of service benefits	7 & 16	12,624	-

The attached notes 1 to 22 form part of these consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Emirates Driving Company P.J.S.C. (the "Company") was incorporated in the United Arab Emirates, as a Public Joint Stock Company, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) , replaced by UAE Federal Law No. (2) of 2015 which has come into effect from 1 July 2015 and the amended Emiri Decree no. (9) for the year 2002.

The Company, and its subsidiaries, (together referred to as the "Group") are engaged in the management and development of motor vehicles driving training and to manage investment properties; services are rendered to nationals and expatriates living in the United Arab Emirates. The Company's registered office is P O Box 2943, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue by the Chairman on behalf of the Board of Directors on 23 February 2020.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of the UAE Federal Law No. (2) of 2015.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the remeasurement of certain financial instruments and investment properties at fair value.

The consolidated financial statements have been presented in United Arab Emirates Dirham's (AED), which is the functional and presentation currency of the Group.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and those of its subsidiaries.

Details of the Company's subsidiaries are as follows:

Name of subsidiary	*Country of incorporation*	*Proportion of holding %*	*Principal activities*
Qeyadah Driving Institute LLC	UAE	50%	To establish, operate and manage automobile driving schools
Tabieah Property Investments LLC	UAE	100%	To manage investment properties

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued
Specifically, the Group controls an investee if and only if the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling 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 members 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. 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual improvements 2015-2017 cycle
- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Impact on adoption of IFRS 16
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	AED
Assets	
Right-of-use asset ("Land")	**43,128,502**
Prepayments	**(36,945)**
Total assets	**43,091,557**
Liabilities	
Lease liability	**43,091,557**
Total liabilities	**43,091,557**
Total adjustment on equity:	
Retained earnings	-
Non-controlling interests	-
	-

Nature of the effect of adoption of IFRS 16
The Group has various lease contracts, where prior to the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. The leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'trade and other receivables' and 'trade and other payables' respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Nature of the effect of adoption of IFRS 16 continued
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018 (AED)	**108,793,845**
Incremental borrowing rate as at 1 January 2019	**7.64%**
Discounted operating lease commitments at 1 January 2019 (AED)	**43,091,557**
Adjustment of commitments relating to leases of low value assets (AED)	-
Lease liabilities as at 1 January 2019 (AED)	**43,091,557**

Amounts recognised in the consolidated statement of financial position and profit or loss
Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the year:

	Right-of-use (land and vehicles) AED	*Lease liabilities AED*
As at 1 January 2019	**43,091,557**	**43,091,557**
Additions	**1,024,982**	**1,024,982**
Depreciation expense	**(1,359,045)**	-
Interest expense	-	**3,036,368**
Payments	-	**(3,371,233)**
As at 31 December 2019	**42,757,494**	**43,781,674**

During the year, the Group entered into an agreement to lease four vehicles, of which three are for a duration of four years and one for three years. The incremental borrowing rate used on those leases is 4%.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Amounts recognised in the consolidated statement of financial position and profit or loss continued
Lease liabilities is analysed in the consolidated statement of financial position as follows:

	2019 ***AED***	*2018* *AED*
Current	**659,128**	-
Non-current	**43,122,546**	-
Total	**43,781,674**	-

The following are the amounts recognised in the consolidated statement of profit or loss:

	31 December 2019 ***AED***
Depreciation expense of right-of-use assets (note 5)	**1,359,045**
Interest expense on lease liabilities	**3,036,368**
Total	**4,395,413**

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards / amendments to standards which were issued up to 31 December 2019 and are not yet effective for the year ended 31 December 2019 have not been applied while preparing these consolidated financial statements. The Group does not expect that the adoption of these standards / amendments will have a material impact on its consolidated financial statements:

- IFRS 17: Insurance Contracts
- Amendments to IFRS 3: Definition of a Business
- IFRS 9/IFRS 7/IAS 39 Interest rate benchmark reforms (Amendments)
- Amendments to IAS 1 and IAS 8: Definition of Material
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
- The conceptual framework for financial reporting

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

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

While applying the accounting policies as stated in Note 2.5, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Key sources of estimation of uncertainty

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

Useful lives of property and equipment

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

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables were AED 2,842,513 (2018: AED 2,275,627) and the provision for expected credit losses was AED 1,695,834 (2018: AED 1,446,533). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on the investment method. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. Under the investment method, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Key sources of estimation of uncertainty continued
Estimation of fair value of investment properties continued
The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period.

As a result of the fair value assessment, a decrease in fair value of AED 11,400,000 (2018: decrease of AED 11,000,000) has been recognised in the consolidated statement of profit or loss for the year.

Allowances for obsolete inventory
The Group reviews the underlying costs, ageing and movements of its inventories to assess losses due to any deterioration in the market and obsolescence on a regular basis. In determining whether an allowance should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future market for the product and the net realisable value for such product. Management has considered the requirement for providing against the cost of inventory and accordingly, an allowance for obsolete inventories at 31 December 2019 amounting to AED 339,452 (2018: nil) has been recognised in the consolidated statement of profit or loss for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers
The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1 Identify 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 every contract that must be met.
Step 2 Identify performance obligations in the contract: A performance obligation is 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 allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue from contracts with customers continued
Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue represents fees charged to customers during the year. Revenue is recognised over the period of the courses on a time proportionate basis when services are provided to customers and the amount of revenue can be reliably measured.

Fees paid in advance are deferred and released to income when the related service is provided.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Interest income
Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the right to receive the dividend is established.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (cash and cash equivalents and trade receivables);
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
d) Financial assets at fair value through profit or loss.

The Group has the following financial assets:

Cash and cash equivalents
Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Trade and other payables are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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 to realise the asset and settle the liability simultaneously.

Property and equipment
Property and equipment are stated at cost net of accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building and improvements	5 - 30 years
Furniture and decorations	5 years
Equipment and vehicles	2 - 5 years

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment 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 equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Capital work in progress
Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment properties
Investment properties comprise of building to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer of taxes, professional fees for legal services, initial leasing commissions and other incidental costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains and losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date of disposal.

Transfer to, or from investment property shall be made when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Intangible assets
Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets mainly include computer software and licenses with an estimated useful life of 3-5 years.

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 as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent 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 current when:

- It is expected to be settled in 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employees' end of service benefits
The Group provides for end of service benefits of its non-UAE national employees in accordance with UAE labour law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for UAE citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land	32 years
Motor vehicles	3 - 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leasing continued
The Group as lessee continued
Lease liabilities continued
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Inventories
Inventories are valued at the lower of cost and net realisable value.

Cost is determined on the weighted average cost basis and comprises invoiced cost, duties, freight charges and other related expenses that have been incurred in bringing the inventory to their present location and condition.

Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution. Allowance is made for obsolete and slow moving items.

Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies
For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of profit or loss in the year in which they arise.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Fair value measurement
The Group measures financial instruments, such as financial assets through other comprehensive income, at fair value at each consolidated statement of financial position date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

External valuers are involved for valuation of significant assets, when fair value is not readily available. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

3 REVENUES

Set out below is the disaggregation of the Group's revenue from students:

	2019 *AED*	*2018* *AED*
Type of revenue		
Training and testing services	**209,338,391**	196,000,348
Timing of revenue recognition		
Students training services transferred over time	**190,887,246**	183,781,163
Students training services transferred at a point of time	**18,451,145**	12,219,185
Total revenue from contracts with customers	**209,338,391**	196,000,348

Geographical markets
All revenues are generated in the United Arab Emirates.

4 DIRECT EXPENSES

	2019 *AED*	*2018* *AED*
Staff costs	**32,932,585**	36,445,595
Depreciation (note 7)	**4,098,491**	7,928,463
Petrol expenses	**1,992,634**	1,463,889
Repairs and maintenance	**1,638,780**	559,433
Insurance expenses	**423,782**	640,065
Other expenses	**2,494,957**	1,962,487
	43,581,229	48,999,932

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 AED	*2018 AED*
Staff costs	**27,662,768**	30,783,548
Depreciation (note 7)	**10,869,662**	8,536,264
Depreciation of right-of-use assets (note 2.2)	**1,359,045**	-
Rent	**451,319**	3,817,860
Consultancy fees	**2,127,221**	5,343,541
Office expenses	**4,254,475**	4,502,525
Water and electricity	**3,199,871**	3,293,501
Repairs and maintenance	**2,170,011**	2,653,967
Telephone and internet	**983,560**	959,760
Amortisation (note 9)	**1,109,200**	820,165
Advertising and sponsorship expenses	**604,733**	291,028
Allowance for obsolete inventories	**339,452**	-
Other expenses	**3,243,379**	1,758,684
	58,374,696	62,760,843

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2019	*2018*
Profit		
Profit attributable to equity holders of the parent company (AED)	**113,097,682**	94,380,562
Less: Profit from discontinued operations used in the calculation of the basic and diluted earnings per share from discontinued operations (AED)	**(384,906)**	(603,060)
Profit used in the calculation of basic and diluted profit per share from continuing operations (AED)	**112,712,776**	93,777,502
Number of shares		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	**89,786,400**	89,786,400
Basic and diluted profit per share (AED)		
From continuing operations	**1.255**	1.044
From discontinued operations	**0.004**	0.007
Total basic and diluted profit per share	**1.259**	1.051

As of 31 December 2019 and 31 December 2018, the Company has not issued any instruments that have an impact on earnings per share when exercised.

7 PROPERTY AND EQUIPMENT

	Buildings and improvements AED	*Furniture and decorations AED*	*Equipment and vehicles AED*	*Capital work-in progress AED*	*Total AED*
2019					
Cost:					
At 1 January 2019	252,316,038	4,524,684	71,719,687	15,462,116	344,022,525
Additions	1,618,969	76,725	13,338,423	3,282,159	18,316,276
Disposals	-	-	(57,877)	-	(57,877)
Transfer to intangible assets (note 9)	-	-	-	(1,500,000)	(1,500,000)
Attributable to discontinued operations (note 21)	(392,589)	(92,071)	(1,631,870)	(15,105,885)	(17,222,415)
At 31 December 2019	**253,542,418**	**4,509,338**	**83,368,363**	**2,138,390**	**343,558,509**
Depreciation:					
At 1 January 2019	61,457,743	4,218,628	50,945,315	-	116,621,686
Charge for the year	9,106,604	171,187	5,829,443	-	15,107,234
Disposals	-	-	(45,253)	-	(45,253)
Attributable to discontinued operations (note 21)	(392,568)	(89,710)	(1,251,915)	-	(1,734,193)
At 31 December 2019	**70,171,779**	**4,300,105**	**55,477,590**	**-**	**129,949,474**
Net carrying amounts:					
At 31 December 2019	**183,370,639**	**209,233**	**27,890,773**	**2,138,390**	**213,609,035**
2018					
Cost:					
At 1 January 2018	252,090,688	4,366,822	71,585,831	12,214,719	340,258,060
Additions	225,350	50,030	2,025,758	3,247,397	5,548,535
Reclassifications	-	107,832	(107,832)	-	-
Disposals	-	-	(1,784,070)	-	(1,784,070)
At 31 December 2018	252,316,038	4,524,684	71,719,687	15,462,116	344,022,525
Depreciation:					
At 1 January 2018	53,989,750	3,833,352	43,889,573	-	101,712,675
Charge for the year	9,390,240	341,586	6,953,198	-	16,685,024
Reclassifications	(1,922,247)	43,690	1,878,557	-	-
Disposals	-	-	(1,776,013)	-	(1,776,013)
At 31 December 2018	61,457,743	4,218,628	50,945,315	-	116,621,686
Net carrying amounts:					
At 31 December 2018	190,858,295	306,056	20,774,372	15,462,116	227,400,839

7 PROPERTY AND EQUIPMENT Continued

The depreciation charge for the year has been allocated as follows:

	2019 *AED*	*2018* *AED*
Direct expenses (note 4)	**4,098,491**	7,928,463
General and administrative expenses (note 5)	**10,869,662**	8,536,264
Classified as part of assets held for sale (note 21)	**139,081**	220,297
	15,107,234	16,685,024

Net book value of disposals made during the year ended 31 December 2019 amounted to AED 12,624 (2018: nil). The disposals represent equipment provided to employees upon their departure, which was adjusted against their end of service benefits.

8 INVESTMENT PROPERTY

	2019 *AED*	*2018* *AED*
At 1 January	**165,000,000**	176,000,000
Change in fair value	**(11,400,000)**	(11,000,000)
At 31 December	**153,600,000**	165,000,000

On 28 August 2017, the Group purchased a building located in Sadyaat Island and which was registered under Tabeiah Property Investments LLC (Subsidiary).

The fair value of the Group's investment property as at 31 December 2019 and 2018 has been arrived by management by reference to a valuation carried out on the respective dates by an independent valuer not related to the Group. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

The fair value of investment property is determined using the investment method. Using this method, comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property, were applied to value the property.

Following is the summary of significant inputs used in the valuation of investment property:

- Annual rental income: AED 82,000 - AED 224,000;
- Selling price based on comparable properties: AED 1,600,000 - AED 3,630,000;
- Outgoing rate: 25%; and
- Discount rate: 8.5%.

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

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
ASSETS MEASURED AT FAIR VALUE				
31 December 2019				
Investment properties	**-**	**-**	**153,600,000**	**153,600,000**
31 December 2018				
Investment properties	-	-	165,000,000	165,000,000

8 INVESTMENT PROPERTIES continued

The property rental income earned by the Group from its investment properties, which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2019	*2018*
	AED	*AED*
Rental income	**8,895,059**	8,621,255
Direct operating expenses	**(3,436,422)**	(2,778,625)
	5,458,637	5,842,630

9 INTANGIBLE ASSETS

	Software and licenses	
	2019	*2018*
	AED	*AED*
Cost:		
At 1 January	**3,282,181**	3,261,235
Addition during the year	**-**	20,946
Transferred from property and equipment (note 7)	**1,500,000**	-
At 31 December	**4,782,181**	3,282,181
Accumulated amortisation:		
At 1 January	**1,985,365**	1,165,200
Amortisation for the year (note 5)	**1,109,200**	820,165
At 31 December	**3,094,565**	1,985,365
Net carrying value		
At 31 December	**1,687,616**	1,296,816

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	*2018*
	AED	*AED*
At 1 January	**38,173,420**	38,173,420
Change in fair value	**(2,216,870)**	-
At 31 December	**35,956,550**	38,173,420

Financial assets through other comprehensive income represent investments in two unquoted UAE Companies. The fair value measurement has been categorised as a level 3 fair value based on the input to the valuation technique used.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME continued

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair value are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices in active markets for assets and liabilities
Level 2: inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
31 December 2019				
Financial assets at fair value through other comprehensive income	-	-	**35,956,550**	**35,956,550**
31 December 2018				
Financial assets at fair value through other comprehensive income	-	-	38,173,420	38,173,420

During the reporting period ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

11 TRADE AND OTHER RECEIVABLES

	2019 ***AED***	*2018* *AED*
Trade receivable	**2,842,513**	2,275,627
Less: allowance for expected credit losses	**(1,695,834)**	(1,446,533)
	1,146,679	829,094
Prepaid expenses	**2,706,530**	6,578,762
Accrued interest income	**2,848,700**	2,291,593
Advances to suppliers	**561,140**	364,033
Cash margin on bank guarantees	**1,356,800**	1,350,000
Advances to employees	-	657,169
Other receivables	**621,573**	1,236,597
Due from a related party (note 18)	-	7,500,000
	9,241,422	20,807,248

During the year an amount of AED 399,098 (2018: nil) relating to advances to employees was written off.

Trade receivables include amounts due from a related party amounting to AED 592,358 (2018: AED 592,358) against which an allowance for expected credit losses amounting to AED 592,358 (2018: AED 592,358) has been recorded (note 18).

11 TRADE AND OTHER RECEIVABLES continued

At 31 December, trade receivables at nominal value of AED 1,695,834 (2018: AED 1,446,533) were impaired and fully provided. Movement in the allowance for expected credit losses is as follows:

	2019 AED	*2018 AED*
At 1 January	**1,446,533**	1,446,533
Charge for the year	**249,301**	-
At 31 December	**1,695,834**	1,446,533

As of 31 December 2019, the analysis of trade receivables including those that were past due and not impaired is as follows:

	2019 AED	*2018 AED*
Neither past due nor impaired	**434,343**	396,739
Past due but not impaired		
Less than 30 days	**224,522**	115,381
Due for 31 to 60 days	**193,999**	188,095
Due for 61 to 90 days	**71,190**	128,879
Due for 91 to 120 days	**95,625**	-
Due for 120 to 150 days	**127,000**	-
Due for 151 to 180 days	**-**	-
Due for more than 180 days	**-**	-
	712,336	432,355
	1,146,679	829,094

	Total AED	*Current AED*	*Less than 30 days AED*	*31-60 days AED*	*61-90 days AED*	*91-120 days AED*	*121 - 150 days AED*	*151 - 180 days AED*	*More than 180 days AED*
31 December 2019									
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**59.63%**	**100%**	**100%**
Estimated total gross carrying amount at default	**2,842,513**	**434,343**	**224,522**	**193,999**	**71,190**	**95,625**	**314,561**	**3,150**	**1,505,123**
Expected credit loss	**1,695,834**	**-**	**-**	**-**	**-**	**-**	**187,561**	**3,150**	**1,505,123**
31 December 2018									
Expected credit loss rate		0.045%	0.057%	0.079%	0.132%	0%	0%	0%	100%
Estimated total gross carrying amount at default	2,275,627	396,918	115,447	188,244	129,049	-	-	-	1,445,969
Expected credit loss	1,446,533	179	66	149	170	-	-	-	1,445,969

The carrying amounts of the Group's trade receivables are denominated in the UAE Dirham and approximate their fair value as at 31 December 2019 and 2018.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the receivables mentioned above. The Group does not hold any collateral as security.

12 CASH AND BANK BALANCES

	2019 *AED*	*2018* *AED*
Cash in hand	**30,000**	386,117
Cash at banks	**153,315,381**	81,682,050
Bank deposits with UAE banks	**160,040,513**	171,440,948
Cash and bank balances from continuing operations	**313,385,894**	253,509,115
Less: bank deposits with original maturities greater than three months	**(160,040,513)**	(171,440,948)
	153,345,381	82,068,167
Cash and bank balances attributable to discontinued operations (note 21)	**366,402**	-
Cash and cash equivalents	**153,711,783**	82,068,167

The effective interest rate on bank deposits range from 3.1% to 4% per annum (2018: 2.5% to 4%).

13 SHARE CAPITAL

	2019 *AED*	*2018* *AED*
Authorised, issued and fully paid		
89,786,400 shares of AED 1 each	**89,786,400**	89,786,400

14 LEGAL RESERVE

In accordance with UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Group's Article of Association, 10% of the annual profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Group's paid up capital.

15 GENERAL RESERVE

In accordance with the Group's Articles of Association, 10% of the annual profit for the year is to be transferred to a general reserve until the general assembly resolves to discontinue such transfers based on the Board of Directors' proposal or if the reserve equals 50% of the Group's paid up share capital. This reserve is used for the purposes determined by the ordinary general assembly based upon the Board of Director's proposal.

16 EMPLOYEES' END OF SERVICE BENEFITS

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

	2019 *AED*	*2018* *AED*
At 1 January	**4,796,482**	6,712,756
Charge for the year	**1,533,321**	1,580,613
Paid during the year	**(1,413,516)**	(2,562,037)
Adjusted against property and equipment (note 7)	**(12,624)**	-
Reversal of excess provision	**-**	(934,850)
Attributable to discontinued operations (note 21)	**(188,127)**	-
At 31 December	**4,715,536**	4,796,482

17 TRADE AND OTHER PAYABLES

	2019 *AED*	*2018* *AED*
Trade payables	**6,802,031**	6,451,809
Accruals and other payables	**17,994,155**	15,306,502
Concession compensation payable*	**-**	1,026,505
Advances received from customers**	**17,715,868**	8,662,174
Retention payable	**431,167**	-
Due to related parties (note 18)	**-**	154,524
	42,943,221	31,601,514

* Based on the concession agreement signed with Ajman Police GHQ, 50% of the profit recognised by Qeyadah Driving Institute LLC, a subsidiary, is payable to them on a yearly basis.

** These advances are short term and will be recognised within one year from the reporting date.

18 RELATED PARTIES TRANSACTIONS AND BALANCES

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

Amounts due from and due to related parties included in the consolidated statement of financial position as follows:

	2019 *AED*	*2018* *AED*
Amount due from related parties		
Belhasa International LLC	**-**	7,500,000
Ras Al Khaimah Driving Academy L.L.C	**592,358**	592,358
Less: allowance for expected and/or incurred credit losses	**(592,358)**	(592,358)
	-	7,500,000

18 RELATED PARTIES TRANSACTIONS AND BALANCES continued

As at 31 December 2019, amounts due from related parties of AED 592,358 (2018: AED 592,358) were impaired and fully provided (note 11).

	2019 *AED*	*2018* *AED*
Amount due to related parties:		
Emirates Driving Institute	-	50,524
IT Force 1	-	104,000
	-	154,524

Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2019 *AED*	*2018* *AED*
Directors' remuneration	**7,804,484**	8,337,395
Compensation of key management personnel		
Salaries and short-term benefits	**3,824,113**	4,210,500
Post-employment benefits	**526,930**	20,949
	4,351,043	4,231,449

19 DIVIDENDS AND DIRECTORS' REMUNERATION

On 26 February 2019, the Shareholders at the Annual General Assembly approved cash dividends of 75 fils per share (2018: 60 fils per share) amounting to AED 67,339,800 (2018: AED 53,871,840).

On 26 March 2019, the Shareholders at the Annual General Assembly of a subsidiary, Qayada Driving Institute L.L.C., approved cash dividends of AED 12,000,000 (2018: nil), of which an amount of AED 6,000,000 related to non-controlling interests.

On 26 February 2019, the Shareholders at the Annual General Assembly approved directors' remuneration relating to the results of the 2018 financial year amounting to AED 7,804,484 (2018: AED 8,337,395 relating to the results of the 2017 financial year).

20 COMMITMENTS AND CONTINGENCIES

Capital commitments
As at 31 December 2019, the Group has commitments in respect of future expenditure amounting to AED 32 million (31 December 2018: AED 60 million).

	2019 *AED*	*2018* *AED*
Contingent liabilities		
Letter of guarantees	**1,365,800**	1,350,000

20 COMMITMENTS AND CONTINGENCIES continued

Litigation and claims
The Group is defendant in legal cases raised against it in the United Arab Emirates ('UAE') courts mainly relating to Labour cases. The Group has recorded a provision of AED 492,415 (2018: AED 626,693) in respect of certain legal cases. For other labour legal cases that are still at court, the Group is unable to determine the outcome or estimate the outflow and therefore no provision was recorded by the Group.

21 DISCOUNTINUED OPERATIONS

During the year, the Company's Board of Directors resolved to dispose of Qeyadah Driving Institute LLC, which is subject to approval by the shareholders in the upcoming Annual General Meeting. As a result, the financial results of Qeyadah Driving Institute LLC have been presented in the consolidated financial statements as discontinued operations. The Group expects to complete the disposal of the subsidiary within a year from the reporting date.

The results of Qeyadah for the year ended 31 December 2019 are as follows:

a) Results for the year

	2019 AED	*2018 AED*
Revenues	**4,352,406**	5,935,334
Direct expenses	**(1,438,549)**	(1,770,560)
Other income	**82,788**	233,400
Depreciation expense (note 7)	**(139,081)**	(220,297)
General and administrative expenses	**(2,087,752)**	(2,971,756)
INCOME FOR THE YEAR	**769,812**	1,206,121

b) Major classes of assets and liabilities of Qeyadah classified as held for sale as at 31 December 2019 are as follows:

	2019 AED
ASSETS	
Property and equipment (note 7)	**15,488,222**
Accounts receivable, prepayments and other receivables	**8,098,504**
Cash and bank balances (note 12)	**366,402**
TOTAL ASSETS	**23,953,128**
LIABILITIES	
Employees' end of service benefits (note 16)	**188,127**
Trade and other payables	**2,082,279**
TOTAL LIABILITIES	**2,270,406**
NET ASSETS	**21,682,722**

22 RISK AND CAPITAL MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables and lease liabilities. The purpose of these financial liabilities is to raise finance for the Group's operations. The Company has various financial assets such as trade and other receivables, financial assets at fair value through other comprehensive income and cash and bank balances, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and continually assessing the creditworthiness of counterparties. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's five largest customers account for approximately 67% of outstanding accounts receivable at 31 December 2019 (2018: 97%). Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

Foreign currency risk
Foreign currency risk comprises of transaction and consolidated statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against the UAE Dirham. Consolidated statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams, as a result of currency movements.

Foreign currency risk is limited since a significant proportion of the Group's transactions, monetary assets and liabilities are in UAE Dirham and US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets (bank deposits).

The sensitivity analysis has been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

As all the interest bearing financial assets of the Group carry fixed interest rates, the Group is not subject to fluctuation of interest rate at the reporting date.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its funding requirements. To manage this risk, Management periodically assesses liquidity needs and ensures adequate reserves are maintained or funding from financial institutions are arranged as and when required. Management also monitors forecast and actual cash flows on a regular basis and attempts to match the maturity profiles of the Group's financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group limits its liquidity risk by raising funds from operations and ensuring bank facilities are available.

22 RISK AND CAPITAL MANAGEMENT continued

Liquidity risk continued
The table below summarises the maturities of the Group's undiscounted financial liabilities, based on contractual payment dates and current market interest rates.

	Less than 3 months AED	*3 to 12 months AED*	*1 to 5 years AED*	*>5 years AED*	*Total AED*
At 31 December 2019					
Lease liabilities	**4,244,350**	**2,503,248**	**32,212,716**	**130,276,619**	**169,236,933**
Trade and other payables	**7,233,198**	**-**	**-**	**-**	**7,233,198**
Total	**11,477,548**	**2,503,248**	**32,212,716**	**130,276,619**	**176,470,131**
At 31 December 2018					
Trade and other payables	7,632,838	-	-	-	7,632,838
Total	7,632,838	-	-	-	7,632,838

Capital risk management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and the year ended 31 December 2018. Capital comprises of share capital, legal reserve, general reserve, cumulative changes in fair value and retained earnings and is measured at AED 688,190,480 (2018: AED 652,453,952).