

Deyaar Development PJSC

**Consolidated financial statements
For the year ended 31 December 2019**

Deyaar Development PJSC

Consolidated financial statements for the year ended 31 December 2019

	<i>Pages</i>
Directors' report	1
Independent auditor's report on consolidated financial statements	2 - 8
Consolidated statement of financial position	9
Consolidated statement of profit or loss	10
Consolidated statement of profit or loss and other comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	14 - 59

Director's report

The Directors submit their report together with the audited consolidated financial statements of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2019.

Principal activities

The principal activities of the Company and its subsidiaries (together, "the Group") are property investment and development, leasing, facility, property management services and hospitality related activities.

Financial Results

Revenue of the Group for the year 2019 is AED 604 million (2018: AED 644 million) and profit amounted to AED 72 million (2018: AED 140 million).

The Group aims to provide comprehensive, long solutions that enhances the value of property investments. During the year, the Group's non-current assets portfolio held for capital appreciation and revenue generation has increased by AED 340 million.

Directors

The Board of Directors comprised of:

Mr. Abdulla Ali Obaid AlHamli	Chairman
Mr. Abdullah Ebrahim Lootah	Vice Chairman
HE Khalifa Suhail Al Zaffin	Director
Dr. Adnan Chilwan	Director
Mr. Mohamed Saeed Al Sharif	Director
Mr. Yasser Abdul Rahman Ahmad Bin Zayed Al Falasi	Director
Mr. Obaid Nasser Lootah	Director
Ms. Maryam Mohammad Abdulla Bin Faris	Director
Mr. Mohamed Abdulla Amer Al Nahdi	Director

Auditors

The financial statements for the year ended 31 December 2019 have been audited by Deloitte & Touche (M.E.), who were appointed as auditors of the Company at the Annual General Meeting held on 15 April 2019.

On behalf of the Board

Abdulla Ali Obaid Al Hamli
Chairman

INDEPENDENT AUDITOR'S REPORT

The Shareholders Deyaar Development PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Deyaar Development PJSC** (the "Company") **and its subsidiaries** (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 profit or loss and other 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 20 February 2019.

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.

Cont'd...

Independent Auditor's Report to the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of properties held for development and sale	
<p>The Group holds properties for development and sales of AED 1,281 million, which comprise completed residential and commercial properties (AED 282 million), land held for mixed-use development and sale (AED 828 million) and properties under construction (AED 171 million) (Note 8).</p> <p>The Group determines whether its properties held for development and sale exhibit any indicators of impairment and if so, compares the recoverable amount of each property to its carrying amount.</p> <p>The Group applies significant estimates in determining the recoverable amount of properties held for development and sale. Changes in these estimates could have a significant impact on the determination of the recoverable amount of properties held for development and sale. Key inputs used by management in their valuation exercise include future projected cash flows and comparable property transactions, which are influenced by prevailing market conditions and the specific characteristics of each property in the portfolio.</p> <p>In addition, when considered necessary, the Group also appoints professionally qualified external valuers to determine the fair value of the Group's portfolio of properties held for development and sale.</p> <p>The estimation of property cost and net realisable value is a key process as a change in the Group's forecast estimate of sales price and construction cost could have a material impact on the carrying value of the properties held for development and sale in the Group's consolidated financial statements.</p> <p>In the event that the carrying amount of a property is higher than its recoverable amount, the Group will adjust the property to its recoverable amount and recognise an impairment loss.</p> <p>We considered the properties held for development and sale as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the recoverable amount.</p>	<p>We assessed the design and implementation of controls in this area.</p> <p>We considered if there were any properties which had not been considered for an assessment of the recoverable amount by management.</p> <p>We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient.</p> <p>We sample tested data provided to the valuer by the Group.</p> <p>We involved our internal real estate valuation specialist to review selected properties valued by external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement.</p> <p>Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.</p> <p>We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.</p> <p>We reperformed the arithmetical accuracy of the determination of recoverable amounts.</p> <p>We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.</p>

Independent Auditor's Report to the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
<p>Valuation of investment properties</p> <p>The Group's investment properties portfolio is carried at AED 514 million in the consolidated statement of financial position and the net fair value gain recorded in the consolidated statement of profit or loss is AED 20 million (Note 6).</p> <p>The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group's estimated holding period, income capitalisation method and the sales comparable approach for the respective asset.</p> <p>The Group's discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates, and discount rates.</p> <p>The sales comparable approach requires the valuers to examine and analyse market transaction/data and requires adjustments to be made for the data to account for individual characteristics.</p> <p>The valuation of the portfolio is a significant judgment area and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements.</p> <p>In the event that the fair value of investment properties is higher or lower than its carrying amount, the Group will recognize a fair value adjustment in its consolidated statement of profit or loss.</p> <p>We considered the valuation of investment properties as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the fair value.</p>	<p>We assessed the design and implementation of controls in this area.</p> <p>We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient.</p> <p>We agreed the total valuation in the valuer's report to the amount reported in the consolidated statement of financial position.</p> <p>We tested the data provided to the valuer by the Group, on a sample basis.</p> <p>We involved our internal real estate valuation specialist to review selected properties valued by external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement.</p> <p>Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.</p> <p>We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.</p> <p>We reperformed the arithmetical accuracy of the determination of recoverable amounts.</p> <p>We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.</p>

Independent Auditor's Report to the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
<p>Expected credit losses on due from a related party</p> <p>The gross carrying amount of the balance due from a related party is AED 1,199 million against which an allowance for impairment of AED 395 million has been recognized (Note 11).</p> <p>The determination of the expected credit losses for this amount is a material and complex estimate requiring significant management judgement in the evaluation of the credit quality and the estimation of inherent losses in the portfolio and consequently is considered to be a key audit matter.</p> <p>The financial statement risk arises from several aspects requiring substantial judgement of management, such as the estimation of probabilities of default and loss given defaults, the determination of significant increases in credit risk (SICR) and credit-impairment status (default), the use of different modelling techniques and consideration of manual adjustments.</p> <p>We considered the expected credit losses on due from a related party as a key audit matter because of the quantitative materiality of the balance, significant judgements and estimates made by the management in determining the allowance for impairment amount.</p>	<p>We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of the ECL preparation methodology against the requirements of IFRS 9 Financial Instruments.</p> <p>We assessed the design and implementation of controls in this area.</p> <p>We have assessed the key assumptions made and judgments applied by management in determining the ECL allowance, selection of ECL model and macroeconomic factors.</p> <p>We also involved our internal specialists to review the key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default and assessed the forward looking factors used by the Group by corroborating with publicly available information.</p> <p>We obtained balance confirmation from the related party and assessed the terms and conditions of their settlement, where applicable.</p> <p>We reformed the mathematical accuracy of the ECL model.</p> <p>We agreed the ECL allowance calculated by the model to the amount reported in the consolidated financial statements.</p> <p>We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Director's Report, at the date of our auditor's report, and we expect to obtain the remaining sections of the Annual report after the date of the auditor's report.

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

Independent Auditor's Report to the Shareholders of Deyaar Development PJSC (continued)

Other Information (continued)

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 up to the date of this 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

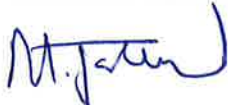
Independent Auditor's Report to the Shareholders of Deyaar Development PJSC (continued)

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- 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;
- the Company has maintained proper books of accounts;
- the financial information included in the Director's report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Company;
- as disclosed in Note 36 to the consolidated financial statements, the Company has not purchased any shares during the financial year ended 31 December 2019;
- Note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- 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 in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019; and
- Note 24 to the consolidated financial statements discloses the social contributions made during the year.

Deloitte & Touche (M.E.)




Mohammad Jallad
Registration No. 1164
Date: 11 FEB 2020
Dubai, United Arab Emirates

**Consolidated statement of financial position
As at 31 December 2019**

	Notes	2019 AED'000	2018 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	968,431	731,161
Investment properties	6	514,210	350,592
Investments in a joint venture and an associate	7	1,350,633	1,333,051
Advance for purchase of properties	9	-	129,610
Trade, contract and other receivables	10	70,941	10,803
Long term fixed deposits	12	40,863	42,654
Equity instrument at fair value through other comprehensive income	13	10,865	17,635
		<u>2,955,943</u>	<u>2,615,506</u>
Current assets			
Properties held for development and sale	8	1,281,058	1,395,457
Inventories		2,225	2,660
Trade, contract and other receivables	10	774,235	764,778
Due from related parties	11(c)	812,007	808,674
Cash and bank balances	12	415,935	616,041
		<u>3,285,460</u>	<u>3,587,610</u>
Total assets		<u>6,241,403</u>	<u>6,203,116</u>
EQUITY			
Share capital	14	5,778,000	5,778,000
Legal reserve	15	298,358	291,204
Equity instruments fair valuation reserve	13	(8,470)	(1,700)
Accumulated losses		<u>(1,530,137)</u>	<u>(1,592,601)</u>
Total equity		<u>4,537,751</u>	<u>4,474,903</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	691,761	822,669
Retentions payable	19	18,609	29,686
Provision for employees' end of service benefits	20	14,909	13,893
		<u>725,279</u>	<u>866,248</u>
Current liabilities			
Borrowings	16	289,544	191,164
Advances from customers	17	25,017	10,009
Trade and other payables	18	583,597	620,384
Retentions payable	19	76,203	33,650
Provision for claims	26	2,212	5,298
Due to related parties	11(d)	1,800	1,460
		<u>978,373</u>	<u>861,965</u>
Total liabilities		<u>1,703,652</u>	<u>1,728,213</u>
Total equity and liabilities		<u>6,241,403</u>	<u>6,203,116</u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 11 FEB 2020 and signed on its behalf by:


Abdulla Ali Obaid Al Hamli
Chairman


Saeed Al Qatami
Chief Executive Officer

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

H.P

**Consolidated statement of profit or loss
For the year ended 31 December 2019**

	Notes	2019 AED'000	2018 AED'000
Revenue	21	603,749	643,730
Direct / operating costs	22	(390,983)	(444,138)
Other operating income	23	13,844	10,496
General administrative and selling expenses	24	(163,375)	(146,488)
Provision / expense against claims	26	(1,553)	(10,727)
Reversal of impairment against advance for purchase of properties	9	3,590	8,561
Reversal of impairment against balance receivable from a related party	11(c)	-	31,939
Impairment against trade receivables, contract and other financial assets		(8,279)	(4,529)
Gain from fair valuation on investment properties, net	6	19,718	1,224
Finance cost	27	(30,207)	(24,334)
Finance income	27	7,451	6,400
Share of results from a joint venture and an associate	7	17,582	68,013
Profit for the year		71,537	140,147
Profit attributable to:			
Owners of the Company		71,537	140,147
		71,537	140,147
Earnings per share attributable to the owners of the Company during the year - basic and diluted	28	Fils 1.24	Fils 2.43

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

**Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019**

	Note	2019 AED'000	2018 AED'000
Profit for the year		71,537	140,147
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Equity instrument at fair value through other comprehensive income - net change in fair value	13	<u>(6,770)</u>	<u>(2,181)</u>
Other comprehensive loss for the year		<u>(6,770)</u>	<u>(2,181)</u>
Total comprehensive income for the year		<u>64,767</u>	<u>137,966</u>
Attributable to:			
Owners of the Company		<u>64,767</u>	<u>137,966</u>
Total comprehensive income for the year		<u>64,767</u>	<u>137,966</u>

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

Deyaar Development PJSC

12

Consolidated statement of changes in equity For the year ended 31 December 2019

	Share capital AED'000	Legal reserve AED'000	Available-for-sale fair valuation reserve AED'000	Equity instruments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2018, as previously reported	5,778,000	277,189	481	-	(1,056,456)	4,999,214
Cumulative effect on adoption of IFRS 9 - Financial Instruments (Note 3)	-	-	(481)	481	(661,233)	(661,233)
Balance at 1 January 2018 (restated)	5,778,000	277,189	-	481	(1,717,689)	4,337,981
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	140,147	140,147
Other comprehensive loss for the year	-	-	-	(2,181)	-	(2,181)
Total comprehensive (loss)/income for the year	-	-	-	(2,181)	140,147	137,966
Transfer to legal reserve	-	14,015	-	-	(14,015)	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	-	848	848
Board of Directors' remuneration (Note 11(b))	-	-	-	-	(1,892)	(1,892)
Balance at 31 December 2018	5,778,000	291,204	-	(1,700)	(1,592,601)	4,474,903
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	71,537	71,537
Other comprehensive loss for the year	-	-	-	(6,770)	-	(6,770)
Total comprehensive (loss)/ income for the year	-	-	-	(6,770)	71,537	64,767
Transfer to legal reserve	-	7,154	-	-	(7,154)	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	-	(631)	(631)
Board of Directors' remuneration (Note 11(b))	-	-	-	-	(1,288)	(1,288)
Balance at 31 December 2019	5,778,000	298,358	-	(8,470)	(1,530,137)	4,537,751

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

Consolidated statement of cash flows
For the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Net cash (used in)/generated from operating activities	29	<u>(60,081)</u>	104,229
Cash flows from investing activities			
Additions to property and equipment		(85,854)	(191,725)
Additions to investment properties; net	6	(121)	121
Net movement in term deposits with an original maturity after three months		21,295	37,203
Income from deposits		9,103	4,843
Net cash used in from investing activities		<u>(55,577)</u>	(149,558)
Cash flows from financing activities			
Repayment of borrowings		(247,964)	(105,585)
Drawdown of borrowings		215,436	451,079
Finance cost paid		(31,716)	(22,130)
Net cash (used in)/generated from financing activities		<u>(64,244)</u>	323,364
(Decrease)/increase in cash and cash equivalents		<u>(179,902)</u>	278,035
Cash and cash equivalents, beginning of the year		543,856	265,950
Effect of IFRS 9 - Financial Instruments		65	(129)
Cash and cash equivalents, end of the year	12	<u>364,019</u>	543,856

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

**Notes to the consolidated financial statements
For the year ended 31 December 2019**

1. Legal status and activities

Deyaar Development PJSC (“the Company”) was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, United Arab Emirates (“UAE”). The Company is listed on Dubai Financial market.

The ultimate majority shareholder of the Group is Dubai Islamic Bank (“the Ultimate Controlling Party”).

The principal activities of the Company and its subsidiaries (together, “the Group”) are property investment and development, leasing, facilities, property management services and hospitality related activities.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

In the current year, IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases - Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions in the Legal Form of a Lease’.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Based on management’s assessment, the application of IFRS 16 - Leases does not have a material impact on these consolidated financial statements as a lessor or as a lessee and hence, the Group did not make any adjustments in this regard.

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation and Modification of financial liabilities</i></p> <p>The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.</p> <p>The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.</p>	<p>1 January 2019</p>

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 New and amended IFRS applied with no material effect on the consolidated financial statements
(continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs The Annual Improvements include amendments to four Standards.	1 January 2019
IAS 23 <i>Borrowing costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 3 <i>Business Combinations</i> The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 <i>Joint Arrangements</i> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 <i>Employee Benefits Plan Amendment, Curtailment or Settlement</i> .	1 January 2019

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i></p> <p>The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.</p>	1 January 2020
<p>Definition of a Business - Amendments to IFRS 3 <i>Business Combinations</i></p> <p>The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.</p>	1 January 2020
<p>Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.</p>	1 January 2020
<p>IFRS 7 <i>Financial Instruments: Disclosures</i> and IFRS 9 - Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform.</p>	1 January 2020
<p>IFRS 17 <i>Insurance Contracts</i></p> <p>IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as at 1 January 2022.</p>	1 January 2022
<p>Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.</p>	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies****Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRSs.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which describe as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total profit or loss and other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Basis of consolidation (continued)**

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in a joint venture and an associate

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate and joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss in the period in which the investment is acquired.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The following table summarises the impact of transition to IFRS 9 on opening balances:

	Impact of adopting IFRS 9 on opening balance AED'000
Accumulated losses	
Recognition of expected credit losses under IFRS 9	<u>(661,233)</u>
Impact at 1 January 2018	<u>(661,233)</u>

a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

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

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

a) Classification and measurement of financial assets and financial liabilities

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

a) Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re- measurement	New carrying amount under IFRS 9
Trade, contract and other receivables (excluding advances and prepayments (refer (i) below))	Loans and receivables	Amortised cost	467,872	(5,198)	462,674
Due from related parties (refer (i) below)	Loans and receivables	Amortised cost	1,817,171	(651,978)	1,165,193
Long term fixed deposits	Loans and receivables	Amortised cost	51,187	(3,940)	47,247
Cash and bank balances	Loans and receivables	Amortised cost	370,950	(117)	370,833
Equity security (refer (ii) below)	Available-for-sale	FVOCI – equity instrument	19,816	-	19,816
Convertible contingent instrument	Loans and receivables	FVTPL – equity instrument	-	-	-
Total financial assets			2,726,996	(661,233)	2,065,763
Borrowings	Other financial liabilities	Other financial liabilities	668,339	-	668,339
Retention payable	Other financial liabilities	Other financial liabilities	78,153	-	78,153
Due to related parties	Other financial liabilities	Other financial liabilities	411	-	411
Trade and other payables	Other financial liabilities	Other financial liabilities	741,010	-	741,010
Total financial liabilities			1,487,913	-	1,487,913

- (i) Trade, contract and other receivables and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of AED 657.2 million in the allowance for impairment over these receivables was recognised in opening accumulated losses at 1 January 2018 on transition to IFRS 9.
- (ii) This equity security represent investment that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated this investment at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

b) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI and contract assets, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables, contract assets, due from related parties, cash at banks, and fixed deposits.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- bank balances, long term fixed deposits and certain related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, contract assets and due from a related party are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

b) Impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities carried at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impact on consolidated financial statements

Apart from changes in classification and measurement of financial assets and financial liabilities, the effect of initially applying this standard is mainly attributed to an increase in impairment losses recognised on financial assets. The details of adjustments to the opening accumulated losses and other account balances are detailed below:

	31 December 2017 AED'000 (As previously reported)	Impact of re-measurement under IFRS 9 AED'000	1 January 2018 AED'000 (Restated)
Impairment loss on:			
Trade, contract and other receivables	(112,239)	(5,198)	(117,437)
Due from related parties	(1,345)	(651,978)	(653,323)
Long term fixed deposits	-	(3,940)	(3,940)
Cash and bank balances	-	(117)	(117)
	<u>(113,584)</u>	<u>(661,233)</u>	<u>(774,817)</u>

The Group uses an allowance matrix to measure the ECLs of due from a related party and trade, contract and other receivables from individual customers, which comprise a very large number of small balances.

Loss rates are based on historical actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast Brent oil price. In the current year, financial assets that were credit impaired resulted in an increase in impairment loss (Note 10 and note 11).

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Group's financial liabilities includes bank borrowings, trade and other payables, retention payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other operating income or expense".

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to equity.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

Foreign currency translation (continued)

Group entities (continued)

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the financial year in which they are incurred

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

Type of assets	Years
Buildings	20 - 35
Leasehold improvements	4
Furniture, fixtures and equipment	4 - 15
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised within "other income or expense" in the consolidated statement of profit or loss.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

3. Significant accounting policies (continued)

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 "Investment Property". Any gain or loss arising from a change in fair value is recognised in consolidated profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from properties held for sale to investment properties

Certain properties held for sale are transferred to investment properties when there is a change in use of the properties and those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in consolidated profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this remeasurement is recognised in consolidated statement of profit or loss on the specific property.

Transfer from investment properties to properties held for sale

Properties are transferred from investment properties to properties held for development and sale when there is a change in use of the property. Such transfers are made at the fair value of the properties at the date of transfer and gain arising on transfer is recognised in consolidated profit or loss. Fair value at the date of reclassification becomes the cost of properties transferred for subsequent accounting purposes. Subsequent to the transfer, such properties are valued at cost in accordance with the measurement policy for properties held for development and sale.

Transfer from investment properties to owner-occupied property

If an investment property becomes owner-occupied property, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in consolidated profit or loss.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Investment properties (continued)***Sale of investment properties*

Certain investment properties are sold in the ordinary course of business. No revenue and direct/operating costs are recognised for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognised in the consolidated statement of profit or loss.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than investment property, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in consolidated profit or loss.

Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct / operating costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank and deposits held at call with banks with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Employee benefits***(a) End of service benefits to non-UAE nationals*

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

(b) Pension and social security policy within the U.A.E

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law.

Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities. If not, they are presented as non-current liabilities.

Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

The Group recognises revenue based on a five step model as set out in IFRS 15:

- Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 Identify the 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 service to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the 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 entity satisfies a performance obligation.

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

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

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based 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.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Revenue recognition (continued)**

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

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

Forfeiture income

Forfeiture income is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, as per the procedures set out by the Dubai Real Estate Regulatory Authority, the customer continues to default on the contractual terms.

Service revenue

Revenue from services such as property management, facilities management and hospitality related activities is recognised in the accounting period in which the services are rendered.

Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

*Hospitality income**Rooms*

Room revenue is recognised at a point in time (net of discounts and municipality fees where applicable) as and when the rooms are occupied and services are rendered to the guests.

Food and beverage

Food and beverage revenue (net of discounts and municipality fees where applicable) is recognised when orders are sold or served.

Other operating revenue

Revenue from other operating departments which are service revenue such as telephone, transportation, laundry, etc. is recognised upon rendering of service or as contracted.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****3. Significant accounting policies (continued)****Finance income**

Finance income is recognised in the consolidated statement of profit or loss on a time-proportion basis using the effective yield method.

Dividend income

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Directors' remuneration

Pursuant to Article 169 of the Federal Law No. (2) of 2015 and in accordance with article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the profit after deducting depreciation and the reserves.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

4. Critical accounting estimates and judgements (continued)

(a) Valuation of investment properties

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer or the internal valuation performed by the Group's finance department.

The fair values have been determined by taking into consideration market comparable and / or the discounted cash flows where the Group has on-going lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

The key assumptions on which management has based its cash flow projections when determining the fair value of the assets are as follows:

- Discount rate based on the Group's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on long-term rate of growth.

Management of the Group has reviewed the assumption and methodology used by the independent registered valuer and Group's finance department and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

(b) Recoverability of investment in a joint venture and an associate ("equity accounted investees")

Recoverability of investment in equity accounted investees is an area involving significant management judgement, and requires an assessment as to whether the carrying value of the investment in equity accounted investees can be supported by the carrying value of the assets held by equity accounted investees.

For property portfolio held by equity accounted investees, management performs an internal valuation to determine the fair value using a valuation technique based on a discounted cash flow model and, when deemed necessary, also engages professionally qualified external valuers to determine the fair value of property portfolio of equity accounted investees.

In calculating the net present value of the future cash flows of properties portfolio of equity accounted investees, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Discount rate based on the equity accounted investee's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on long-term rate of growth.

Management assesses the impairment for property portfolio held by equity accounted investees whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important, which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

4. Critical accounting estimates and judgements (continued)

(c) IFRS 15 Revenue from contracts with customers

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time and in other cases, revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****4. Critical accounting estimates and judgements (continued)***(d) Valuation of properties held for development and sale*

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an independent external valuer and market sales data to ascertain the recoverable amount.

(e) Useful lives of property and equipment

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

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

Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives.

(f) Impairment of all financial assets

The Group reviews all its financial assets to assess adequacy of the impairment provisions at least on a quarterly basis. In determining whether the impairment provisions should be recognised in the statement of consolidated profit or loss, the Group uses an allowance matrix to measure the ECLs of due from a related party and trade, contract and other receivables from individual customers, which comprise a very large number of small balances. Loss rates are based on historical actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast Brent oil price.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

5. Property and equipment

	Capital work in progress AED'000	Land and buildings AED'000	Leasehold improvements AED'000	Furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost						
As at 1 January 2018	508,606	46,569	3,859	35,610	913	595,557
Additions	182,168	395	-	5,205	-	187,768
As at 31 December 2018	690,774	46,964	3,859	40,815	913	783,325
As at 1 January 2019	690,774	46,964	3,859	40,815	913	783,325
Additions	107,729	-	269	5,162	72	113,232
Disposals	-	-	-	(306)	(54)	(360)
Transfer from properties held for development and sale (Note 8)	132,358	7,268	-	-	-	139,626
Transfers	(930,775)	810,037	-	120,738	-	-
Transfer to investment properties (Note 6)	-	(1,434)	(124)	-	-	(1,558)
As at 31 December 2019	86	862,835	4,004	166,409	931	1,034,265
Accumulated depreciation						
As at 1 January 2018	-	12,493	2,329	30,198	850	45,870
Charge for the year (Note 24)	-	2,516	622	3,093	63	6,294
As at 31 December 2018	-	15,009	2,951	33,291	913	52,164
As at 1 January 2019	-	15,009	2,951	33,291	913	52,164
Charge for the year (Note 24)	-	7,038	639	6,416	16	14,109
Disposals	-	-	-	(170)	(54)	(224)
Transfer to investment properties (Note 6)	-	(161)	(54)	-	-	(215)
As at 31 December 2019	-	21,886	3,536	39,537	875	65,834
Carrying amount						
As at 31 December 2019	86	840,949	468	126,872	56	968,431
As at 31 December 2018	690,774	31,955	908	7,524	-	731,161

a) Land and Buildings with a carrying value of AED 589.3 million (2018: AED 143.3 million) are mortgaged under Islamic finance obligations (Note 16).

b) During the year, borrowing costs capitalised amounted to AED 9 million (2018: AED 11.1 million) with weighted average capitalisation rate of external financing of 5.2% per annum (2018: 4.9% per annum).

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

6. Investment properties

	UAE Mix use building AED'000	UAE Parking spaces AED'000	UAE Stores units AED'000	UAE Retail units AED'000	2019 Total AED'000	2018 Total AED'000
Fair value hierarchy	3	3	3	3		
As at 1 January	83,707	68,914	10,711	187,260	350,592	338,019
Additions	73	48	-	-	121	44
Disposal	-	-	-	-	-	(165)
Transfer (to)/from properties held for sale, net (Note 8)	-	(7,514)	-	23,127	15,613	11,470
Transfer from property and equipment, net (Note 5)	1,343	-	-	-	1,343	-
Transfer from advance for purchase of properties (Note 9)	126,823	-	-	-	126,823	-
Net gain from fair value adjustments on investment properties	(2,659)	8,637	3,334	10,406	19,718	1,224
As at 31 December	209,287	70,085	14,045	220,793	514,210	350,592

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Direct/operating costs recognised in the consolidated statement of profit or loss includes AED 8.9 million (2018: AED 3.2 million) and rental income recognised in consolidated statement of profit or loss includes AED 28.6 million (2018: AED 34.4 million) from investment property (Note 21 and Note 22).

Investment properties with carrying value of AED 244.2 million (2018: AED 248.7 million) are mortgaged against bank borrowings (Note 16).

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

6. Investment properties (continued)

Valuation processes

Retail units, parking spaces and store units included in the Group's investment properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. Valuation of UAE office building is valued by the Groups' finance department. The Group's finance department includes a team that also reviews the valuations performed by the independent valuers for financial reporting purposes. Discussion of valuation processes and results are held between management and the independent valuers on a regular basis.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

There has been no change to the valuation technique during the year.

Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Country	Segment	Valuation	Estimate	Range of inputs	Sensitivity of management estimates	
					Impact lower AED'000	Impact higher AED'000
UAE	Mix use Building	Income capitalisation	Estimated rental value	AED 85 to AED 205 per sqft per annum	(1,295)	1,295
			Discount rate	8.61%	23,948	(16,711)
UAE	Parking spaces	Sales comparable method	Estimated market value	AED 26.5K to 62K per parking space	(701)	701
UAE	Stores Units		Estimated market value	AED 150 to AED 300 per sqft	(140)	140
UAE	Retail Units		Estimated market value	AED 1,475 to AED 1,625 per sqft	(2,208)	2,208

A change of 100 basis points in management's estimate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown above.

Valuation techniques underlying management's estimation of fair value:

For office building, the valuation was determined using the income capitalisation method based on following significant unobservable inputs:

Estimated rental value (per sqft p.a.) based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Cash flow discount rate reflecting current market assessments of the uncertainty in the amount and timing of cash flows.

For retail units, parking spaces and store units, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2019 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

7. Investments in joint venture and an associate

	Joint Venture		Associate		Total	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
At 1 January	966,039	896,236	367,012	368,802	1,333,051	1,265,038
Share of profit/(loss) (i)	21,000	69,803	(3,418)	(1,790)	17,582	68,013
At 31 December	987,039	966,039	363,594	367,012	1,350,633	1,333,051

- (i) For previous year, share of profit from a joint venture included fair valuation gain of AED 58.2 million on the investment properties portfolio held by the joint venture, based on management's internal assessment of the Group's share in these properties.

Investment in an associate

The Group has a 22.72% interest in Solidere International Al Zorah Equity Investments Inc ("Al Zorah"), a company registered in the Cayman Islands. The associate is a holding company investing in companies engaged in property development.

The table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the associate is as follows:

	2019 AED'000	2018 AED'000
Percentage ownership interest	22.72%	22.72%
Net assets (100%)	939,822	939,984
Group's share of net assets (22.72%)	213,528	213,564
Adjustments (refer note (ii) below)	150,065	153,448
Carrying amount of interest in an associate	363,593	367,012
Profit and total comprehensive income (100%)	(162)	(162)
Profit and total comprehensive income (22.72%)	(37)	(37)
Adjustment relating to accounting policy	(3,381)	(1,753)
Group share of total profit and compressive income	(3,418)	(1,790)

- (ii) This mainly includes the goodwill (premium) paid on acquisition of interest in the associate and adjustment relating to alignment of associate's accounting policy to the Group's accounting policy.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

7. Investments in joint ventures and an associate (continued)

Investment in a joint venture

The Group has a 50% interest in the following joint venture, which is engaged in property development. The following amounts represent the Group's 50% share of the assets, liabilities, revenue and results of the joint venture. They also include consolidation adjustments made at the Group's level to ensure uniform accounting policies.

The table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the joint venture is as follows:

	2019 AED'000	2018 AED'000
Percentage ownership interest	50%	50%
Net assets (100%)	<u>1,468,490</u>	<u>1,410,465</u>
Group's share of net assets (50%)	734,245	705,233
Adjustments (refer note (iii) below)	<u>252,794</u>	<u>260,806</u>
Carrying amount of interest in a joint venture	<u>987,039</u>	<u>966,039</u>
Revenue	77,335	55,150
Depreciation and amortization	31,849	24,740
Profit and total comprehensive income (100%)	<u>10,981</u>	49
Profit and total comprehensive income (50%)	5,491	25
Adjustments relating to accounting policies (also refer note (i) above)	15,645	70,368
Other Adjustments	<u>(136)</u>	<u>(590)</u>
Group share of total profit and compressive income	<u>21,000</u>	<u>69,803</u>

(iii) This mainly includes the goodwill (premium) paid on acquisition of interest in the joint venture and adjustments relating to alignment of joint venture's accounting policies to the Group's accounting policies.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

8. Properties held for development and sale

	Properties held for sale AED'000	Properties under construction AED'000	Land held for future development and sale AED'000	Total AED'000
As at 1 January 2018	228,100	320,479	685,787	1,234,366
Additions	15,337	418,083	141,493	574,913
Reversal of impairment (Note 22)	1,372	-	-	1,372
Transfer to properties held for sale	36,309	(36,309)	-	-
Transfer to investment properties (Note 6)	-	(11,470)	-	(11,470)
Reclassifications/Adjustments	846	(365)	(481)	-
Sales (Note 22)	(27,979)	(375,745)	-	(403,724)
As at 31 December 2018	253,985	314,673	826,799	1,395,457
As at 1 January 2019	253,985	314,673	826,799	1,395,457
Additions	-	372,792	1,586	374,378
Reversal of impairment (Note 22)	1,796	-	-	1,796
Transfer to properties held for sale	40,713	(40,713)	-	-
Transfer from/(to) investment properties (Note 6)	7,514	(23,127)	-	(15,613)
Transfer to property, plant and equipment (Note 5)	(7,268)	(132,358)	-	(139,626)
Sale of properties (Note 22)	(14,787)	(320,547)	-	(335,334)
As at 31 December 2019	281,953	170,720	828,385	1,281,058

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of impairment amounting to AED 1.8 million (2018: AED 1.3 million), which was recognised in consolidated profit or loss under "direct / operating costs" (Note 22).

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the expected market prices.

In 2018, a related party receivable balance has been settled partially through a plot of land recorded under land held for future development and sale. The Company had recorded the plot of land at its fair value amounting to AED 82.6 million (Note 11(c)).

In 2018, the Company has also acquired plot of land amounting to AED 58.6 million from a master developer as part of the settlement agreement signed in the previous year.

During the current year, the Company has reclassified additional units in a service apartment building amounting to AED 132.4 million and units in residential apartment building amounting to AED 7.3 million based on change in use of these units (Note 5).

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

8. Properties held for development and sale (continued)

Plots of land with total carrying value of AED 636 million (2018: AED 676 million) and Properties with total carrying value of AED 157.7 million (31 December 2018: AED 171 million) are mortgaged under Islamic finance obligations (Note 16).

In the current year, the Group has recognised an amount of AED 335.3 million (2018: AED 403.7 million) included in the consolidated statement of profit or loss under “direct / operating costs” against revenue recognised of AED 455.8 million (2018: AED 515.6 million) (Note 21 and Note 22).

For plots of land held for future development and use amounting to AED 828.4 million as at the reporting date (31 December 2018: AED 826.8 million), management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

9. Advance for purchase of properties

	2019 AED'000	2018 AED'000
Advance for purchase of share in real estate project	391,749	397,049
Less: provision for impairment against advance for purchase of share in real estate project	<u>(262,278)</u>	<u>(267,439)</u>
	129,471	129,610
Less : Transferred to trade & other Receivables	(2,648)	-
Less : Transferred to investment properties (Note 6)	<u>(126,823)</u>	-
	<u>-</u>	<u>129,610</u>

In previous years, the Company had entered into a Memorandum of Understanding (MoU) for purchase of its share in a portfolio of investment properties in a real estate project. The advance was recoverable by means of transfer of the Company's share of properties in the project. In 2018, the Company had signed an agreement where the parties including the Company will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Company's share of properties was completed in 2019 and accordingly these units were reclassified to investment properties at their fair value on the date of transfer (Note 6).

10. Trade, contract and other receivables

	2019 AED'000	2018 AED'000
Trade and unbilled receivables (refer (i) below)	742,385	656,137
Other receivables (refer (ii) below)	<u>102,791</u>	<u>119,444</u>
	845,176	775,581
Current	774,235	764,778
Non-current	<u>70,941</u>	<u>10,803</u>
Total trade, contract and other receivables	<u>845,176</u>	<u>775,581</u>

i. Trade and unbilled receivables

	2019 AED'000	2018 AED'000
Trade receivables		
Trade receivables within 12 months	378,138	317,856
Contract assets		
Unbilled receivables within 12 months	293,306	327,478
Unbilled receivables after 12 months	<u>70,941</u>	<u>10,803</u>
Total trade and unbilled receivables	<u>742,385</u>	<u>656,137</u>

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

10. Trade, contract and other receivables (continued)

The above trade receivables are net of provision for impairment amounting to AED 122.1 million (2018: AED 116.1 million) relating to trade receivables which are past due. All other trade receivables are considered recoverable.

As at 31 December 2019, trade receivables of AED 708.8 million (2018: AED 631.7 million) were receivable from sale of properties, and trade receivables of AED 33.6 million (2018: AED 24.4 million) were receivable from other streams of revenue.

The ageing analysis of these trade receivables is as follows:

	2019 AED'000	2018 AED'000
Not due	364,247	338,280
Upto 3 months	248,832	259,792
Over 3 months	129,306	58,065
Net receivable	<u>742,385</u>	<u>656,137</u>

Movements of the Group's provision for impairment of trade receivables are as follows:

	2019 AED'000	2018 AED'000
At 1 January	116,115	111,934
Adjustment on initial application of IFRS 9	-	5,198
Provision for impairment	5,937	4,245
Write off during the year	-	(5,262)
At 31 December	<u>122,052</u>	<u>116,115</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold or post-dated cheques as security.

ii. Other receivables

	2019 AED'000	2018 AED'000
Advances to contractors	22,891	53,131
Advances to suppliers	14,844	22,188
Prepayments	8,317	9,187
Others	57,111	35,310
	<u>103,163</u>	<u>119,816</u>
Less: provision for impairment	(372)	(372)
	<u>102,791</u>	<u>119,444</u>

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

11. Related party transactions and balances

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control, and key management personnel.

(a) Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	2019 AED'000	2018 AED'000
A significant shareholder		
Other operating income/finance income	2,488	2,918
Finance cost	22,369	18,365
Borrowings drawn down	151,500	188,942
Borrowings repayments	113,858	76,917

(b) Remuneration of key management personnel

	2019 AED'000	2018 AED'000
Salaries and other short term employee benefits	14,322	14,205
Termination and post-employment benefits	461	382
Board of Directors' remuneration	1,288	1,892
	16,071	16,479

In the current year, a provision for the Board of Directors' remuneration amounting to AED 1.3 million was recognised (2018: provision of AED 1.9 million). During the year, an additional provision for the Board of Directors' remuneration amounting to AED 600 thousands was recognised (2018: reversal of AED 800 thousands) based on the final approval of the shareholders in the Annual General Meeting dated 15 April 2019.

(c) Due from related parties comprises:

	2019 AED'000	2018 AED'000
Current		
Due from a joint venture	8,412	5,068
Due from other related parties	1,200,127	1,200,151
	1,208,539	1,205,219
Less: provision for impairment	(396,532)	(396,545)
	812,007	808,674

Cash and bank balances includes amounts held with the significant shareholder of the Group (a bank), bank account balances of AED 142 million (2018: AED 229 million) and fixed deposits of AED 205 million (2018: AED 145 million), at market prevailing profit rates.

In 2010, the Group entered into a sale and purchase agreement with a related party ("the purchaser") to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,647.5 million.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

11. Related party transactions and balances (continued)

Following various amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 December 2019 is AED 1,198.7 million (31 December 2018: AED 1,198.7 million) against which a provision for impairment amounting to AED 395.1 million exists. The outstanding balance based on the last amendment effective from 31 December 2019, is to be settled by the purchaser no later than 31 December 2020.

Partial settlement

In 2018, the Group had signed an amendment and partial settlement agreement with the related party for partial settlement of receivable balance by AED 602.2 million. A portion of this receivable amounting to AED 311.3 million was settled through a plot of land which was recorded at its fair value (refer below and Note 8).

Impairment provision

In 2018, provision for an amount of AED 651.9 million was recognised as an adjustment to equity as per transition requirements of IFRS 9. Subsequently, on partial settlement of receivable during 2018, an amount of AED 224.9 million was written off against the provision for impairment. Furthermore, a reversal of provision for impairment based on updated estimates in expected credit loss model amounting to AED 31.9 million has been recognised in the Group's consolidated financial statements. To determine the provision for impairment, management had applied certain key assumptions and judgments in accordance with IFRS 9 - *Financial Instruments* in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

(d) Due to related parties comprises:

	2019 AED'000	2018 AED'000
Current		
Due to a significant shareholder	247	-
Due to other related party	1,553	1,460
	<u>1,800</u>	<u>1,460</u>

At 31 December 2019, the Group had bank borrowings from the significant shareholder (a bank) of AED 468.8 million (2018: AED 431.2 million) at market prevailing profit rates (Note 16).

12. Cash and bank balances

	2019 AED'000	2018 AED'000
Cash and bank balances including call deposits	179,860	328,831
Fixed deposits	281,740	333,985
Cash in hand	173	153
	<u>461,773</u>	<u>662,969</u>
Less : provision for impairment	(4,975)	(4,274)
	<u>456,798</u>	<u>658,695</u>
Less: long term fixed deposits with a financial institution - net (i)	(40,863)	(42,654)
Cash and bank balances	<u>415,935</u>	<u>616,041</u>
Less: deposits with original maturity more than three months	(51,916)	(72,185)
Cash and cash equivalents	<u>364,019</u>	<u>543,856</u>

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

12. Cash and bank balances (continued)

Bank accounts include balance of AED 70.6 million (31 December 2018: AED 134.2 million) and fixed deposits of AED 130 million (31 December 2018: AED 5 million) at market prevailing profit rates held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of development properties.

Bank account balance of AED 0.14 million (31 December 2018: AED 3.8 million) pertaining to a certain association being managed by a third party is not included in the above bank balances. Bank account balance of AED 2.04M (2018: 0.13M) pertaining to a certain association maintained for the benefit of a third party property developer is not included in the above bank balances.

Bank accounts balance include balance of AED 21.01 million (2018: 19.41 million) in its own name, held in a fiduciary capacity on behalf and for the beneficial interest of third parties, which are recorded in these consolidated financial statements.

i. Long term fixed deposits

In previous years, the Company had placed Wakala deposit amounting to AED 101 million with a financial institution for a period of 12 years with quarterly repayments. Based on the key terms of the revised agreement in previous years and proposed payment plan which is under negotiation as at the reporting date, management has recognised an impairment charge of AED 12.1 million and present value impact of AED 4.2 million on the fixed deposit. As at reporting date, the Company has cumulatively received an amount of AED 41.3 million (2018: AED 41.3 million) from the financial institution towards the repayment of deposit including early repayment of some of the instalments. The balance outstanding amount has been classified as non-current in accordance with the agreement and against which a provision for impairment amounting to AED 5 million at the reporting date has been recognised in accordance with the requirements of IFRS 9 - Financial Instruments.

13. Equity instrument at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

	2019 AED'000	2018 AED'000
Investment in a real estate investment trust (REIT)		
1 January (effect of adoption of IFRS 9 - Financial Instruments)	17,635	19,816
Change in fair value	(6,770)	(2,181)
31 December	10,865	17,635

14. Share capital

At 31 December 2019 and 31 December 2018, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

15. Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for the year is transferred to a legal reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

16. Borrowings

	2019 AED'000	2018 AED'000
Islamic finance obligations		
Current	289,544	191,164
Non-current	691,761	822,669
Total borrowings	<u>981,305</u>	<u>1,013,833</u>
		AED'000
1 January 2018		668,339
Drawn down		451,079
Repayments		<u>(105,585)</u>
31 December 2018		1,013,833
Drawn down		215,436
Repayments		<u>(247,964)</u>
31 December 2019		<u>981,305</u>

Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder) (Note 11), and from other local banks. The facilities were availed to finance the properties under construction and working capital requirements. Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of one to eleven years from the reporting date (2018 : two to twelve years).

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale (Note 8), property and equipment (Note 5) and investment properties (Note 6). Further, certain facilities with banks are subject to financial covenants.

17. Advances from customers

Advances from customers comprise of payments received from sale of properties. The revenues have not been recognised in the consolidated statements of profit or loss, in line with the revenue recognition policy of the Group consistent with the IFRSs.

18. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	35,472	24,872
Payables for purchase of plots	241,490	270,759
Accrued Islamic facilities charges	3,474	3,987
Project cost accruals	85,010	113,799
Other payables and accrued expenses	<u>218,151</u>	<u>206,967</u>
	<u>583,597</u>	<u>620,384</u>

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

19. Retentions payable

	2019 AED'000	2018 AED'000
Non-current portion	18,609	29,686
Current portion	76,203	33,650
	<u>94,812</u>	<u>63,336</u>

Retention payables represents amounts withheld in accordance with the terms of the contract progress payments are made to the contractors. Non-current retention are due to be paid to contractors within 1 to 2 years from the reporting date.

20. Provision for employees' end of service benefits

	2019 AED'000	2018 AED'000
At 1 January	13,893	13,436
Charge for the year (Note 25)	2,838	2,593
Payments	(1,822)	(2,136)
At 31 December	<u>14,909</u>	<u>13,893</u>

The provision for employees' end of service benefits, disclosed as non-current liability, is calculated in accordance with the UAE Federal Labour Law.

21. Revenue

	2019 AED'000	2018 AED'000
<i>Property development activities</i>		
Sale of properties	455,777	515,651
Leasing income	29,585	35,350
	<u>485,362</u>	<u>551,001</u>
<i>Properties, facilities and association management</i>		
Property management	41,882	38,256
Facilities and association management	53,685	54,473
	<u>95,567</u>	<u>92,729</u>
<i>Hospitality</i>	<u>22,820</u>	-
	<u>603,749</u>	<u>643,730</u>

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 AED'000	2021 AED'000	Total AED'000
Sale of properties	345,774	88,767	434,541

The Group applies the practical expedient as per IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

22. Direct / operating costs

	2019 AED'000	2018 AED'000
Cost of sale of properties (Note 8)	335,334	403,724
Operating cost of facility management (i)	42,819	38,504
Operating cost of hospitality	7,458	-
Operating cost of leasing properties	6,823	3,155
Reversal of impairment of properties held for development and sale, net (Note 8)	(1,796)	(1,372)
Others	345	127
	<u>390,983</u>	<u>444,138</u>

- (i) Facilities management costs include staff costs amounting to AED 21.1 million (2018: AED 15.7 million).

The Group expects the incremental cost, which mainly includes sales commission, incurred as a result of obtaining contracts to be recoverable and accordingly these costs are capitalised. The capitalised costs are amortised when the related revenues are recognised.

Applying the practical expedient as per IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised in one year or less.

23. Other operating income

	2019 AED'000	2018 AED'000
Write back of provisions and liabilities no longer payable	6,235	3,245
Others	7,609	7,251
	<u>13,844</u>	<u>10,496</u>

24. General and administrative expenses

	2019 AED'000	2018 AED'000
Staff costs (Note 25)	83,611	92,600
Marketing and selling expenses	22,903	19,101
Pre-opening expenses	12,827	-
Legal and professional charges	4,331	5,501
Depreciation (Note 5)	14,109	6,294
Rent expenses	1,818	1,866
Social contributions	138	448
Others	23,638	20,678
	<u>163,375</u>	<u>146,488</u>

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

25. Staff costs

	2019 AED'000	2018 AED'000
Payroll cost	59,841	59,769
End of service benefits (Note 20)	2,838	2,593
Pension and social security contributions	684	638
Other benefits	20,248	29,600
	<u>83,611</u>	<u>92,600</u>

26. Provision for claims

This includes legal claim made by customers against the Group for refund of partial payments made to purchase certain property units. In accordance with Law No. 13 of 2008 and its subsequent amendment through Law No. 9 of 2009 applicable in the Emirate of Dubai, the Group had earlier forfeited these amounts due to failure of customers to pay the outstanding balances as per the Sale and Purchase Agreement.

The Group has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice, this information may be prejudicial to their position on these matters.

27. Finance (cost)/income

	2019 AED'000	2018 AED'000
Finance cost on bank borrowings	(30,207)	(24,334)
Finance income from short-term bank deposits	8,446	5,470
Present value impact on non-current financial assets	(995)	930
Total finance income	<u>7,451</u>	<u>6,400</u>
Net finance cost	<u>(22,756)</u>	<u>(17,934)</u>

28. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares, if any.

	2019	2018
Profit attributable to equity holders of the Company (AED'000)	71,537	140,147
Weighted average number of ordinary shares in issue (thousands)	<u>5,778,000</u>	<u>5,778,000</u>
Earnings per share (AED)	<u>1.24</u>	<u>2.43</u>

Diluted

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

29. Cash flow from operating activities

	2019 AED'000	2018 AED'000
Profit for the year	71,537	140,147
Adjustments for:		
Depreciation (Note 5)	14,109	6,294
Provision for employees' end of service benefits (Note 20)	2,838	2,593
Reversal of impairment against balance receivable from a related party (Note 11(c))	-	(31,939)
Reversal of impairment of properties held for development and sale, net (Note 22)	(1,796)	(1,372)
Impairment against trade receivables, contract and other financial assets and related parties	8,279	4,529
Reversal of impairment against advance for purchase of properties	(3,590)	(8,561)
Provision against claims	1,553	5,298
Finance income (Note 27)	(8,446)	(6,400)
Finance cost (Note 27)	31,202	24,334
Share of results from an associate and a joint venture (Note 7)	(17,582)	(68,013)
Gain on fair valuation of investment property (Note 6)	(19,718)	(1,224)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	78,386	65,686
Payment of employees' end of service benefits (Note 20)	(1,822)	(2,136)
<i>Changes in working capital:</i>		
Properties held for development and sale (net of project cost accruals)	(55,797)	(22,492)
Retention payable - non-current	(11,077)	(15,449)
Retention payable - current	42,553	632
Trade, contract and other receivables - non-current	(53,760)	71,627
Trade, contract and other receivables - current	(17,705)	(154,148)
Advances from customers - current	15,008	(14,421)
Inventories	435	(46)
Due from related parties	(3,320)	162,003
Trade and other payables	(53,321)	13,384
Due to related parties	339	(411)
Net cash (used in)/generated from operating activities	(60,081)	104,229

30. Commitments

At 31 December 2019, the Group had total commitments of AED 109.4 million (2018: AED 412 million) with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also has other commitments of AED Nil (2018: AED 170.4 million) (Note 31).

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)****31. Contingencies**

At 31 December 2019, the Group had contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 7.7 million (2018: AED 135.6). Also, the Group had contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (2018: AED 3.4 million). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

The Group is also a party to various potential claims from customers and, where necessary, makes adequate provisions against any potential claims. Such provisions are reassessed regularly to include significant claims and instances of potential litigations. Based on review of opinion provided by the legal advisors / internal legal team, management is of the opinion that no material cash outflow in respect of these claims is expected to be paid by the Company in these legal cases over and above the existing provision in the books of accounts. The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters. Also refer Note 30.

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group.

Further, on 25 December 2019 the Court of Cassation had issued a judgment in favour of the Group against a UAE-based property developer ("counterparty"), upholding a ruling made by the Court of Appeal in September, which had confirmed Dubai Court of First Instance's judgement to terminate all sale and purchase agreements of lands under dispute and had also ordered counterparty to return all amounts paid, to the tune of AED 411 million plus pay a compensation amount of AED 61 million due to the breach of its obligations. Following the issued judgement, the execution has been filed, which is currently under process as at the reporting date.

32. Segmental information**Operating segment**

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the Group as a whole for the purpose of decision making.

Management has determined the operating segments based on the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: Property development, Properties and facilities management and Hospitality related activities.

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

32. Segmental information (continued)

Operating segment (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
31 December 2019				
Segment revenues - external	485,362	95,567	22,820	603,749
Segment profit	72,365	12,475	(13,303)	71,537
Segment assets	4,998,561	300,522	942,320	6,241,403
Segment liabilities	1,514,953	162,028	26,669	1,703,650
31 December 2018				
Segment revenues - external	551,001	92,729	-	643,730
Segment profit	122,834	17,313	-	140,147
Segment assets	5,940,326	262,790	-	6,203,116
Segment liabilities	1,497,809	230,404	-	1,728,213

Revenue from property development activities are recognised over time and revenue from properties and facilities management are recognised at a point in time.

Geographic information

The carrying amount of the total assets located outside the United Arab Emirates as at 31 December 2019 is AED 3.3 million (2018: AED 3.3 million).

33. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management under policies approved by the Board of Directors. Management evaluates financial risks in close co-ordination with the Group's operating units.

Market risk

Currency risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

33. Financial risk management (continued)

Market risk (continued)

Price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as equity instrument at fair value.

Cash flow and fair value interest rate risk

The Group has an insignificant interest rate risk arising from interest bearing bank deposits. Bank deposits are placed with banks at fixed rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

At 31 December 2019, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 5.4 million lower/higher (2018: profit for the year would have been AED 4.1 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

Derivative financial instrument

In the previous year, the Group entered into profit rate swap agreement in order to hedge its exposure against profit rate risk. The table below shows the fair values of derivative financial instrument, which is equivalent to the market value, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is measured. The notional amount indicates the volume of transactions outstanding at the reporting date and are neither indicative of the market nor credit risk.

	2019	2019	2018	2018
	AED'000	AED'000	AED'000	AED'000
	Fair value	Notional amount	Fair value	Notional amount
Profit rate swap	(17)	237,500	(190)	169,661
	(17)	237,500	(190)	169,661

The fair value as at reporting date is categorised as level 3 in fair value hierarchy.

Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade, contract and other receivables (excluding advances and prepayments), due from related parties, cash at bank and bank deposits. Trade receivables are made to customers with an appropriate credit history. The Group has no other significant concentrations of credit risk. Bank deposits are limited to high-credit-quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The maximum exposure to credit risk at the reporting date was:

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

33. Financial risk management (continued)

Credit risk (continued)

	2019 AED'000	2018 AED'000
Long term fixed deposits	40,863	42,654
Trade, contract and other receivables (excluding advances and prepayments)	797,627	691,075
Due from related parties	812,007	808,674
Bank balances	415,762	615,888
	2,066,259	2,158,291

Liquidity risk

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The tables below summarises the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual collections and payments.

	----- Contractual cash flows -----				
	Carrying amount AED'000	Contractual cash flows AED'000	Within 1 year AED'000	2 to 5 years AED'000	More than 5 years AED'000
As at 31 December 2019					
Borrowings	981,305	1,132,119	324,691	539,558	267,870
Trade and other payables	583,597	583,597	583,597	-	-
Retentions payable	94,812	94,812	76,203	18,609	-
	1,659,714	1,810,528	984,491	558,167	267,870
As at 31 December 2018					
Borrowings	1,013,833	1,200,490	239,229	712,524	248,737
Trade and other payables	620,384	620,384	620,384	-	-
Retentions payable	63,336	63,336	33,650	29,686	-
	1,697,553	1,884,210	893,263	742,210	248,737

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

33. Financial risk management (continued)

Fair value estimation

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

The following table presents the Group's financial assets that are measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2019				
Equity instrument at fair value through other comprehensive income	10,865	-	-	10,865
As at 31 December 2018				
Equity instrument at fair value through other comprehensive income	17,635	-	-	17,635

The carrying value less impairment provision of trade, contract and other receivables and due from related parties approximates their fair values keeping in view the period over which these are expected to be realised. Financial liabilities approximate their fair values.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

33. Financial risk management (continued)

The accounting policies for financial instruments have been applied to the line items below:

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2019			
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	10,865	10,865
Trade, contract and other receivables	797,627	-	797,627
Due from related parties	812,007	-	812,007
Long term fixed deposits	40,863	-	40,863
Bank balances	415,762	-	415,762
	2,066,259	10,865	2,077,124
Liabilities as per statement of financial position			
Trade and other payables	583,597	-	583,597
Retentions payable	94,812	-	94,812
Borrowings	981,305	-	981,305
	1,659,714	-	1,659,714
31 December 2018			
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	17,635	17,635
Trade, contract and other receivables	691,075	-	691,075
Due from related parties	808,674	-	808,674
Long term fixed deposits	42,654	-	42,654
Bank balances	615,888	-	615,888
	2,158,291	17,635	2,175,926
31 December 2018			
Liabilities as per statement of financial position			
Trade and other payables	-	620,384	620,384
Retentions payable	-	63,336	63,336
Borrowings	-	1,013,833	1,013,833
	-	1,697,553	1,697,553

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

34. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any externally imposed capital requirements.

35. Subsidiaries and equity accounted investees entities

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries			
Deyaar Facilities Management LLC	UAE	100%	Facility management services
Nationwide Realtors LLC*	UAE	100%	Brokerage and other related services
Deyaar Hospitality LLC *	UAE	100%	Property Investment and Development
Deyaar International LLC *	UAE	100%	Real Estate Consultancy
Deyaar Ventures LLC *	UAE	100%	Property Investment and Development
Flamingo Creek LLC *	UAE	100%	Property Investment and Development
Beirut Bay Sal *	Lebanon	100%	Property Investment and Development
Deyaar West Asia Cooperatief U.A. *	Netherlands	100%	Investment Holding Company
Deyaar Development Cooperation *	USA	100%	Property Investment and Development
Deyaar Al Emarat Holding WLL *	Bahrain	100%	Property Investment and Development
Deyaar AL Tawassol Lil Tatweer Aleqare Co. *	KSA	100%	Property Investment and Development
Deyaar Limited *	UAE	100%	Property Investment and Development
Deyaar Owners Association Management LLC	UAE	100%	Owners Association Management
Deyaar Property Management LLC	UAE	100%	Property Management
Montrose L.L.C *	UAE	100%	Buying, Selling and Real Estate Development
The Atria L.L.C	UAE	100%	Hotel Management
Deyaar One Person Holding LLC*	UAE	100%	Investment in Commercial/Industrial Enterprise & Management

**Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)**

35. Subsidiaries and equity accounted investees entities (continued)

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries (continued)			
Bella Rose Real Estate Development L.L.C	UAE	100%	Buying, selling and real estate development
Nationwide Management Services LLC**	UAE	100%	District cooling services
Al Barsha LLC**	UAE	100%	Hotel & Hotel Apartments Rental
Mont Rose FZ-LLC**	UAE	100%	Hotels & Leisure services
Joint Venture			
Arady Developments LLC	UAE	50%	Property Investment and Development
Associate			
SI Al Zorah Equity Investments Inc.	Cayman Islands	22.72%	Property Investment and Development

* These entities did not carry out any commercial activities during the year.

** These entities are incorporated during the year.

36. Investment in shares

During the year, the Group has not purchased or invested in any shares.

37. Reclassification

Certain comparative figures have been regrouped / reclassified to conform to the presentation adopted in these consolidated financial statements. The reclassification does not have any effect on the consolidated statement of profit or loss, consolidated statement of profit of loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

	As previously reported 31 December 2018 AED'000	As reclassified 31 December 2018 AED'000	Reclassification AED'000
Borrowings			
Non-current	798,626	822,669	24,043
Current	215,207	191,164	(24,043)
Trade and other payables	621,844	620,384	(1,460)
Due to related parties	-	1,460	1,460

The above reclassification has no impact on the opening statement of consolidated financial statement of position as at 1 January 2018 and hence therefore it is not presented.