

MANAZEL PJSC
(Formerly known as Manazel Real Estate PJSC)

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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MANAZEL PJSC

BOARD OF DIRECTORS' REPORT Year ended 31 December 2019

On behalf of Board of Directors, I am pleased to present the audited consolidated financial statements of Manazel PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

Principal activities

The Group is principally engaged in the Shari'a compliant real estate business which includes development, sales, investment, construction, management and associated services of and related to real estate assets.

Results and appropriations

The Group has earned revenues of AED 947 million (2018: AED 809 million) and recorded a profit of AED 241 million (2018: AED 231 million) for the year ended 31 December 2019. Earnings per share for the year ended 31 December 2019 amounts to AED 0.093 compared to earnings per share of AED 0.089 for the year ended 31 December 2018. The Group's total assets have increased from AED 5.493 billion as at 31 December 2018 to AED 5.870 billion as at 31 December 2019.

Directors

As at the end of the reporting period, the Board of Directors comprise:

Mohamed M. Al Qubaisi	-	Chairman
Naser Almur Al Zaabi	-	Vice Chairman
Mohamed Thaaloob Al Derei	-	Member
Khalid Deemas Al Suwaidi	-	Member
Khalid Ali Al Mansoori	-	Member

Auditors

A resolution to appoint external auditors for the ensuing year will be put to the members at the Annual General Meeting.

On behalf of the Board of Directors



Mohamed M. Al Qubaisi
Chairman

February 13, 2020

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF MANAZEL PJSC**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Manazel PJSC** (the "Company") and its **Subsidiaries** (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 12 to the consolidated financial statements which state that the Group is carrying an amount of AED 491 Million as receivable from Government related entities in respect of infrastructure costs incurred by the Group on various developments amounting to AED 561 million. The outcome of the discussions and the timing of reimbursement is currently uncertain. Our opinion is not modified in this regard.

Other Matter

The financial statements of the Company for the year ended December 31, 2018, were audited by other auditors whose report expressed an unqualified opinion on the same on 30 April 2019.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), In compliance with applicable provisions of Company's Articles of Association, and 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.

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

Key audit matters

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

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

Key Audit Matters identified in our audit are summarised as follows:

Key audit matter

Valuation of investment properties and property, plant and equipment

- The carrying value of investment property and the land constituted in the property, plant and equipment as on Dec 31, 2019, amounted to AED 2.028 billion and AED 927.83 million respectively. The fair value gains related to these recorded during the year are AED 38.24 million and AED 159.78 million respectively. The management requires significant judgement in determining the fair value of investment property and for the purposes of our audit; we identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value. The Group's investment property comprises various categories of properties. The Group uses independent valuers to determine the fair values for all the properties held in these categories annually.

How our audit addressed the Key Audit Matter

- We have assessed the competence, capability, experience of the locations and types of properties subject to valuation, independence and objectivity of the external property valuer;
- We have evaluated the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties;
- We have discussed the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalisation rates, by comparing them with historical rates and available market data, taking into consideration comparability.

Key Audit Matters identified in our audit are summarized as follows:

Key audit matter

Recognition of revenue on property development and sales and valuation of unbilled receivables

- Revenue recognition on property development and sales and valuation of unbilled receivables involves significant judgements and use of estimates. The Group assesses for each of its contracts with customers, whether to recognise revenue over time or at a point in time-based on a consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right to payment for performance completed at any time during the life of the contract.

Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period.

During the year, there was a change in the revenue recognition model for recognizing the revenue from the sale of land on the real estate asset is being constructed as per the mutual agreement between the customer.

How our audit addressed the Key Audit Matter

- We have reviewed sample of contracts with customers for property development and sale and assessed the management identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time.
- We have assessed the satisfaction of performance obligations on selected sample contracts with customers. For the change in revenue recognition for the sale of land, we have observed that consideration for the land is separately allocated from the total transaction price and revenue recognition conditions are satisfied.
- We have examined approved project cost budgets for significant on-going real estate developments and reviewed the projects' completion percentages in light of costs incurred and reviewed invoices, on a sample basis, to substantiate the costs incurred.
- We have evaluated the adequacy of the valuation of unbilled revenues on completed as well as on-going development projects.
- In addition, we evaluated the adequacy of the Group's disclosures regarding unbilled revenues and the related risks such as credit risk in the note to the consolidated financial statements

Development management fee

The Group provides contract with a related party to provide project management and consultancy services and has recognised fees of AED 20.35 million during the year in the consolidated income statement. The services which include preparing the plan for the intended project, design, preparation of related tenders, conclusion of related contracts for executing the project and appointment of third parties to do the project related works, whether during the execution of the project or after its completion.

We have reviewed the contract with the customer (related party) for project management and consultancy services and assessed the management's identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time and also have assessed the satisfaction of performance obligations

We have also obtained a confirmation from the customer that states that the fees accrued by the Group to date is not refundable and represent the fee for work done to date and is accepted by the customer.

Key Audit Matters identified in our audit are summarised as follows:

Key audit matter

Going concern

The consolidated financial statements have been prepared on a going concern basis. Management's assessment of whether the Group will be able to continue meeting its working capital requirements and its project commitments were important for the going concern assumption. This assessment was largely based on the availability of sufficient funding through financing arrangements and the timely recovery of receivables.

How our audit addressed the Key Audit Matter

We have evaluated the Group's capability to recover the receivables and to utilize the unused credit facility to meet its working capital and project commitments which are less than one year. The validity of the going concern assumption is also dependent on the Group generating sufficient profits to make its future operations commercially viable.

Other information

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information we considered necessary for the purpose of our audit.
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 2 of 2015, and the Memorandum of Association of the Group.
- iii) The Group maintained proper books of accounts.
- iv) The financial information included in the Directors Report is consistent with the books of accounts and records of the Group.
- v) Based on the information that has been made available to us the Group has not purchased or invested in any shares or stocks during the financial year ended 31 December 2019;
- vi) Note 23 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

Report on Other Legal and Regulatory Requirements (Continued)

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

Dubai
February 13, 2020



For HLB HAMT
Chartered Accountants
Signed by Vijay Anand
Partner
[Reg. No. 654]

Ref: HAMT/SUG/2020/286

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

		2019	2018
	Notes	AED '000	AED '000
Revenue	5	946,848	809,269
Cost of revenue	5	<u>(481,863)</u>	<u>(473,344)</u>
GROSS PROFIT		464,985	335,925
Changes in fair value of investment properties	14	38,247	84,263
Loss allowances under IFRS 9		(108,713)	(39,563)
Finance costs	6	(76,483)	(71,659)
General and administrative expenses	7.1	(59,047)	(58,218)
Selling and marketing expenses	7.2	(433)	(2,356)
Ancillary fees for the Board of Directors' special efforts	22	(18,000)	(18,000)
Other income		<u>70</u>	<u>343</u>
PROFIT FOR THE YEAR		<u>240,626</u>	<u>230,735</u>
Attributable to:			
Owners of the Parent		240,626	230,735
Non-controlling interest		<u>-</u>	<u>-</u>
		<u>240,626</u>	<u>230,735</u>
Earnings per share			
Basic and diluted earnings per share (In AED per share)	21	<u><u>0.093</u></u>	<u><u>0.089</u></u>

The attached notes 1 to 29 form part of these consolidated financial statements.

MANAZEL PJSC

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

	Note	2019 AED '000	2018 AED '000
Profit for the year		240,626	230,735
<i>Items not to be reclassified subsequently to profit or loss:</i>			
Gain (Loss) on revaluation of property, plant and equipment		159,788	(124,402)
<i>Items to be reclassified subsequently to profit or loss:</i>			
Gain/(loss) on cash flow hedges – Hedging liability		<u>(14,734)</u>	<u>-</u>
Other comprehensive income/(loss) for the year		<u>145,054</u>	<u>(124,402)</u>
Total comprehensive income/(loss) for the year		<u>385,680</u>	<u>106,333</u>
Attributable to:			
Owners of the Parent		385,680	106,333
Non-controlling interest		<u>-</u>	<u>-</u>
		<u>385,680</u>	<u>106,333</u>

The attached notes 1 to 29 form part of these condensed consolidated financial statements.

MANAZEL PJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	<u>2019</u> <u>AED '000</u>	<u>2018</u> <u>AED '000</u>
ASSETS			
Bank balances and cash	8	71,691	146,430
Trade and other receivables	9	1,882,352	1,553,572
Properties held for sale	10	5,902	5,902
Net investment in finance lease		31,113	-
Development work-in-progress	12	182,759	323,012
Recoverable infrastructure costs, net	13	455,820	455,820
Investment properties	14	2,028,961	1,947,186
Property, plant and equipment	15	<u>1,210,966</u>	<u>1,061,007</u>
TOTAL ASSETS		<u>5,869,564</u>	<u>5,492,929</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company			
Share capital	16	2,600,000	2,600,000
Reserves	17	<u>721,441</u>	<u>335,761</u>
		3,321,441	2,935,761
Non - controlling interest		<u>(1,177)</u>	<u>(1,177)</u>
TOTAL EQUITY		<u>3,320,264</u>	<u>2,934,584</u>
LIABILITIES			
Trade and other payables	18	981,632	984,637
Provisions		48,139	54,378
Lease liabilities		31,113	-
Bank borrowings	19	1,464,635	1,494,981
Advances from customers		16,575	18,455
Employees' end of service benefits	20	<u>7,206</u>	<u>5,894</u>
TOTAL LIABILITIES		<u>2,549,300</u>	<u>2,558,345</u>
TOTAL EQUITY AND LIABILITIES		<u>5,869,564</u>	<u>5,492,929</u>


CHAIRMAN


CHIEF EXECUTIVE OFFICER

The attached notes 1 to 29 form part of these consolidated financial statements.

MANAZEL PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<i>Reserves</i>										
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Cumulative changes in fair value of investment</i>	<i>Fair value reserve for property, plant and equipment</i>	<i>Excess of cash consideration over net assets relating to acquisition of non-controlling interest</i>	<i>Retained earnings/(Accumulated losses)</i>	<i>Hedging reserve</i>	<i>Total reserves</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance as at 01, January 2018	2,600,000	239,057	(75,958)	357,359	(153,343)	(76,704)	-	290,411	2,890,411	(1,177)	2,889,234
Effect of adoption of new accounting standards	-	-	-	-	-	(60,983)	-	(60,983)	(60,983)	-	(60,983)
Balance as at 01, January 2018 (restated)	2,600,000	239,057	(75,958)	357,359	(153,343)	(137,687)	-	229,428	2,829,428	(1,177)	2,828,251
Profit for the year	-	-	-	-	-	230,735	-	230,735	230,735	-	230,735
Other comprehensive loss for the year	-	-	-	(124,402)	-	-	-	(124,402)	(124,402)	-	(124,402)
Total comprehensive loss for the year	-	-	-	(124,402)	-	230,735	-	106,333	106,333	-	106,333
Transfer to statutory reserve (Note 17)	-	23,074	-	-	-	(23,074)	-	-	-	-	-
Balance at 31, December 2018	2,600,000	262,131	(75,958)	232,957	(153,343)	69,974	-	335,761	2,935,761	(1,177)	2,934,584
Profit for the period	-	-	-	-	-	240,626	-	240,626	240,626	-	240,626
Other comprehensive income for the year	-	-	-	159,788	-	-	-	159,788	159,788	-	159,788
Movement in fair value of hedging instruments	-	-	-	-	-	-	(14,734)	(14,734)	(14,734)	-	(14,734)
Total comprehensive income for the year	-	-	-	159,788	-	240,626	-	385,680	385,680	-	385,680
Transfer to statutory reserve (Note 17)	-	24,063	-	-	-	(24,063)	-	-	-	-	-
Balance as at 31, December 2019	2,600,000	286,194	(75,958)	392,745	(153,343)	286,537	(14,734)	721,441	3,321,441	(1,177)	3,320,264

The attached notes 1 to 29 form part of these consolidated financial statements.

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

		2019	2018
	<i>Notes</i>	AED '000	AED '000
OPERATING ACTIVITIES			
Profit for the year		240,626	230,735
Adjustments for:			
Depreciation and impairment of property, plant and equipment	16	10,203	11,227
Changes in fair value of investment properties, net	15	(38,247)	(84,263)
Loss allowances		108,713	39,563
Finance cost	7	76,483	71,659
Net foreign exchange loss		-	3,318
Provision for employees' end of service benefits	21	<u>1,492</u>	<u>1,283</u>
Net cash flows generated from operations		399,270	273,522
Working capital changes:			
Development work-in-progress		98,853	6,145
Trade and other receivables		(437,493)	(365,018)
Provisions		(6,239)	(724)
Trade and other payables		(17,739)	179,252
Advance from customers		<u>(1,880)</u>	<u>(15,246)</u>
Cash generated from operating activities		34,772	77,931
Employees' end of service benefits paid	21	<u>(180)</u>	<u>(501)</u>
Net cash generated from operating activities		<u>34,592</u>	<u>77,430</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	16	(374)	(2,502)
Additions (disposals) from investment properties	15	<u>(2,128)</u>	<u>2,845</u>
Net cash used in investing activities		<u>(2,502)</u>	<u>343</u>
FINANCING ACTIVITIES			
Finance cost paid (Net)		(76,483)	(56,503)
Proceeds from bank borrowings	20	244,734	73,337
Repayment of bank borrowings	20	<u>(275,080)</u>	<u>(77,766)</u>
Net cash used in financing activities		<u>(106,829)</u>	<u>(60,932)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(74,739)	16,841
Cash and cash equivalents at the beginning of the year		<u>145,405</u>	<u>128,564</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	<u><u>70,666</u></u>	<u><u>145,405</u></u>

The attached notes 1 to 29 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019
1. CORPORATE INFORMATION

Manazel PJSC (the "Company" or the "Parent") (previously known as "Manazel Real Estate PJSC") was established on 12 April 2006 as a private joint stock company and was registered on 13 May 2006.

The Company has changed its name to "Manazel PJSC" from July 23, 2019 onwards.

The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the Shari'a compliant real estate business which includes development, sales, investment, construction, management and associated services. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 33322, Abu Dhabi.

The consolidated financial statement of the Group for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on February 13, 2020.

These consolidated financial statements comprise the following:

- Consolidated Statement of Financial Position as at December 31, 2019 of the parent and subsidiaries mentioned in Note 1.1; and
- Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements for the year ended December 31, 2019 of the parent and subsidiaries mentioned in Note 1.1.

The comparative financial information comprises the following:

- Consolidated Statement of Financial Position of the parent and subsidiaries mentioned in Note 1.1 as at December 31, 2018;
- Consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements of the parent and subsidiaries mentioned in Note 1.1 for the year ended December 31, 2018.

1.1. Details of the Group's Subsidiaries are as follows;

<i>Name of Subsidiaries</i>	<i>Proportion of ownership interest</i>		<i>Proportion of voting power held</i>		<i>Place of incorporation and operation</i>	<i>Principal activities</i>
	2019	2018	2019	2018		
Manazel International Capital Co. L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
Manazel International Capital - Jordan L.L.C	100%	100%	100%	100%	Jordan	Investments in real estate and commercial projects
Manazel International Capital - Saudi Arabia Ltd.	100%	100%	100%	100%	K.S.A	Purchase and development of properties for resale or lease
Tatweer Capital Co. L.L.C	100%	100%	100%	100%	U.A.E	Properties management and brokerage
Dunes Village L.L.C*	99%	99%	99%	99%	U.A.E	Development, sale and management of properties
Manazel Specialists Real Estate L.L.C	100%	100%	100%	100%	U.A.E	Real estate management and leasing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

1. CORPORATE INFORMATION (continued)

1.1 Details of Group's Subsidiaries are as follows; (continued)

Name of Subsidiaries	Proportion of ownership interest		Proportion of voting power held		Place of incorporation and operation	Principal activities
	2019	2018	2019	2018		
Census International General Maintenance L.L.C	100%	100%	100%	100%	U.A.E	Facility management services
Al Reef Cooling L.L.C	100%	100%	100%	100%	U.A.E	District cooling
Capital Cooling L.L.C	100%	100%	100%	100%	U.A.E	District cooling
Capital Mall L.L.C	100%	100%	100%	100%	U.A.E	Management services
Al Reef Capital Real Estate L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
Merzab Community Development Real Estate L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
The Guard Public Security Guarding Services L.L.C	100%	100%	100%	100%	U.A.E	Public security guarding services
Portal Parcel Services LLC	100%	-	100%	-	U.A.E	Document delivery services

*1% non-controlling interest in Dunes Village L.L.C is entitled to 40% share of profits of Dunes Village L.L.C. In the event of loss, the Company takes 99% share of loss.

The shares of Tatweer Capital Co. L.L.C. are registered in the name of two of the Company's directors. The two directors have collateralised their share fully in favour of the Company and empowered the Company to act by proxy in respect of the total shares with an assignment of all rights and obligations relating to the shares of the Company. The proxy is irrevocable unless otherwise agreed in writing by the Company's Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

2. ADOPTION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS AND INTERPRETATIONS

2.1. Standards and Interpretations effective in the current year and early adopted

	<u>Effective for annual periods beginning</u>
IFRS 16 Leases	January 01, 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities	January 01, 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.	January 01, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 01, 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

IFRS 16 Leases

The Group applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of this new standard are described below;

IFRS 16 leases were issued on January 2016, and it replaces IAS 17 'Leases', IFRIC 4 'Determining the arrangement contains a lease', SIC-15 'Operating leases-incentives and SIC-27 'Evaluating the substance of transactions involving the legal form of lease'.

IFRS 16 is effective for annual periods commencing on or after 1st January 2019. It is stipulated that all leases and the associated contractual rights and obligations should generally be recognised in the Group's financial position unless the term is 12 months or less or the lease for a low-value asset.

Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for future lease obligations. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the useful life.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Former operating leases:

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

2. ADOPTION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

2.1 Standards and Interpretations effective in the current year and early adopted (continued)
Impact on Lessee Accounting

Former operating leases: (continued)

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

Details of impact of the new requirements of the standard on the financial statements of the Group are described in Note 3.19.

Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities

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.

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.

but to which the equity method is not applied.

These amendments do not have any impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

2. ADOPTION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures

These amendments clarify that an entity applies IFRS 9 Financial Instruments 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.

These amendments do not have any impact on the financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

The Annual Improvements include amendments to four standards.

i) IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

ii) IAS 23 Borrowing costs

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.

iii) IFRS 3 Business Combinations

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.

iv) IFRS 11 Joint Arrangements

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.

These amendments do not have any impact on the financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended.

These amendments do not have any impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

2. ADOPTION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

These amendments do not have any impact on the financial statements.

2.2. New and revised IFRS in issue but not effective and not early adopted

The following standards, amendments thereto and interpretations have been issued prior to December 31, 2019 but have not been applied in these financial statements as their effective dates of adoption are for future periods. The impact of the adoption of the below standards is currently being assessed by the management. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures within the financial statements.

	<u>Effective for annual periods beginning</u>
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	January 01, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	January 01, 2020
IFRS 17 Insurance Contracts	January 01, 2022
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely deferred

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"), general principles of the Shari'a as determined by Group's Fatwa and Sharia's Supervisory Board and also with the applicable requirements of the laws in the UAE. The accounting policies have been consistently applied other than changes as a result of application of new and revised standards mentioned in Note 2.4 to the consolidated financial statement. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect, replacing the existing Federal law No. 8 of 1984.

3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for derivatives in financial instruments, investment properties and land included in property, plant and equipment, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of measurement (continued)

In estimating the fair value of an asset or a liability, the Group takes into account the 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.

3.3 Functional and presentation currency

These consolidated financial statements are prepared, and the items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). These consolidated financial statements are presented in Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency.

3.4 Basis of consolidation

These consolidated financial statements incorporate the financial statements of Manazel PJSC (the Parent) and the entities controlled by the Parent. Control is achieved when the Parent:

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent obtains control, and continue to be consolidated until the date when such control ceases. The Parent 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.

When the Parent has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent considers all relevant facts and circumstances in assessing whether or not the Parent's voting rights in an investee are sufficient to give it power, including:

- The size of the Parent's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Parent, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Parent has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at the previous Shareholders' meeting.

When the Parent loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of comprehensive income;
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted at Group level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

3.4.1 Eliminations on consolidation

Inter-entity transactions, balances, income and expenses from transactions between entities are eliminated. Profits and losses resulting from inter-entity transactions that are recognized in the assets are also eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.5 REVENUE RECOGNITION

Revenue from contracts with customers for sale of properties and construction contracts

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

- Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.*
- Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.*
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.*
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.*
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 REVENUE RECOGNITION (continued)

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

Revenues from the sale of inventory property/ land

The Group enters into contracts with customers to sell property that are either completed or under development.

- Completed inventory property

The sale of completed property constitutes a single performance obligation and the Group has determined that is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when sale and purchase agreement is signed with the customer and control to use the asset is transferred. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

- Inventory property under development

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy.

The Group has determined that, for its typical contracts of sale and land and construction of property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

Rental income

Rental income receivable from operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Revenue from district cooling services

Revenue from district cooling services comprises of available capacity and variable output provided to customers and is recognised when services are provided.

Dividend income

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

Service charges and expenses recoverable from tenants

Service charges and related income for services rendered to tenants are recognised when such services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019**3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****3.6 DIRECT EXPENSES**

Direct expenses include direct operating expenses incurred in generating revenue. Direct expenses are recognized over the term that the associated revenue is recognized.

3.7 PROVISION FOR EMPLOYEES' BENEFITS

Estimated amounts required to cover employees' end of service indemnity at the date of consolidated statement of financial position are computed pursuant to the UAE Federal Labour Law No. 8 of 1980 based on the employees' accumulated period of service and current remuneration at the date of consolidated statement of financial position.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

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

A provision is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the date of consolidated statement of financial position. The provision relating to the annual leave and leave passage is classified and included in other payables as a current liability.

3.8 INVESTMENT PROPERTIES

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease arrangement is classified as investment property when the definition of an investment property is met.

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

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

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

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019**3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 INVESTMENT PROPERTIES (continued)**

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

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

3.9 DEVELOPMENT WORK IN PROGRESS

Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights of land;
- Amounts paid to contractors for construction;
- Financing costs, planning and design costs, costs of site preparation, professional fees and legal services, property transfer charges, construction overheads and other related costs.

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

The costs of inventory recognised in consolidated income statement on disposal is determined with reference to the specified costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

3.10 PROPERTIES HELD FOR SALE

Properties acquired with the intention of sale are classified as properties held for sale. Properties held for sale are stated at cost or at net realisable value, whichever is lower. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation and any identified impairment loss other than land which is carried at revalued amount. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in consolidated income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 PROPERTY, PLANT AND EQUIPMENT (continued)

The cost of property, plant and equipment is their purchase cost together with any incidental costs of acquisition.

Property, plant and equipment are depreciated using straight-line method over the expected useful lives of the assets as under:

Office building	- 30 years
Furniture and fixtures	- 4 years
Leasehold building improvement	- 4-10 years
Computers and software	- 3 years
Office equipment	- 4 years
Motor vehicles	- 4 years

During the year 2015, the useful life of the district cooling plants are re-estimated and the cooling plants are now depreciated using the written down value method using a depreciation rate of 2.7% to 2.8% after considering a residual value.

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets, and adjusted prospectively, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Maintenance and repairs are charged to expenses as incurred and renewals and improvements, which extend the life of the asset, are capitalized and depreciated over the remaining life of the asset.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

3.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019**3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****3.12 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)**

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for assets previously revalued with the revaluation taken to other comprehensive income. For such assets, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.13 FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in UAE Dirhams (AED) which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated income statement in the period in which they arise except for:

- Exchange differences on foreign currency funding relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to financing costs on those foreign currency funding;
- Exchange differences on transactions entered into in order to hedge in a Shari'a-compliant way certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in consolidated income statement and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their consolidated income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translations are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 FINANCE COST

Financing 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. Investment income earned on the temporary investment of specific financings pending their expenditure on qualifying assets is deducted from the financing costs eligible for recognition.

3.15 LEASES

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is or contains a lease if the contracts convey the right to control the use of an identified asset for the Group for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- The contract involves the use of an identified asset -this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - The Group has the right to operate the asset; or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, where the contract is not separable into a lease and non-lease component then the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group determines the lease term as the non – cancellable period of a lease, together with both:

- a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

3.15.1 Net investment in finance lease:

The Group subleases office units and classifies it as finance lease. The group recognizes finance leased assets in the statement of financial position and present them as receivable at an amount equal to the net investment in the lease which is Gross investment in the lease discounted at interest rate implicit in the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

3.15.2 Lease liability

The lease liability is initially recognised at the present value of the lease payments that are not paid in the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group used its incremental borrowing rate.

After initial recognition, the lease liability is measured by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where,

- a) There is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or
- b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determined the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined.
- c) There is a change in the amounts expected to be payable under a residual value guarantee; or
- d) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review. The Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate unless the change in lease payments results from a change in floating interest rates. In such case, the Group use a revised discount rate that reflects a change in the interest rate.

The Group recognises the amount of the re-measurements of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero, and there is a further deduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

- a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the context.

Lease modifications that are not accounted for as a separate lease the Group, at the effective date of the lease modification:

- a) allocates the consideration in the modified contract;
- b) determines the lease term of the modified lease; and
- c) remeasured the lease liability by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

3.15.2 Lease liability (continued)

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective rate of the modification, if the interest rate implicit in the lease cannot be readily determined.

3.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.16.1 Financial assets

Classification

From January 01, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI,
- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through other comprehensive income (FVTOCI) are carried at fair value. After initial measurement, the Group present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Financial assets at fair value through profit or loss (FVTPL) are carried at fair value. After initial recognition, the Group present the fair value gains and losses in profit and loss account.

Financial assets at amortized cost subsequently measured at amortized cost using effective interest method less impairment if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Group's financial assets at amortized cost consists of contract, retention and other receivables (excluding prepayments and advances), due from related parties, other financial assets and cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.2 Impairment of financial assets

In relation to the impairment of financial assets, the Group applies the Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include:

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- trade receivables;
- lease receivables;
- contract assets; and
- loan commitments and financial guarantee contracts.

The Group has adopted the simplified approach for measuring the impairment on trade receivables, lease receivables and contract assets. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**3.16 FINANCIAL INSTRUMENTS (continued)****3.16.2 Impairment of financial assets (continued)**

- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped for the assessment of the expected credit loss. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3.16.3 De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.3 De-recognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.16.4 Derivative financial instruments and hedge accounting

The Group uses derivative financial instrument, such as interest rate swaps to hedge its interest rate risks.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of comprehensive income as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of comprehensive income as a finance cost.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is de-recognized, the unamortized fair value is recognized immediately in profit or loss.

When an un-recognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.4 *Derivative financial Instruments and hedge accounting (Continued)*

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of comprehensive income as other operating expenses.

The Group uses Interest Rate Swaps as hedges for its exposure to variable interest rates on term loans. The ineffective portion relating to Interest rate swap is recognized in finance costs and the effective portion in other comprehensive income.

Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(c) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

3.16.5 *Financial liabilities*

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at Fair Value Through profit or Loss (FVTPL) except for derivative on accounts of interest rate swaps which are measured through Fair value through Other Comprehensive Income (FVTOCI).

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL:

Financial liabilities are classified as at FVTPL when the financial liability is:

- i) contingent consideration of an acquirer in a business combination,
- ii) held for trading, or
- iii) it is designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**3.16 FINANCIAL INSTRUMENTS (continued)****3.16.5 Financial liabilities (continued)**

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 recognized in 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 in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to 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 recognized in profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities measured subsequently at amortised cost:

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized 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 amortized cost of a financial liability.

The Group's financial liabilities include contract, retention and other payables (excluding deferred rental income and VAT payables) due to related parties and borrowings.

Loans and borrowings

This is the category most relevant to the Group. The Group has Bank borrowings that consist of mainly mudaraba, and ijara. After initial recognition, Bank borrowings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective profit rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate method. The effective profit rate amortisation is included as finance costs in the statement of profit or loss.

3.16.6 De-recognition of financial liabilities

The Group de-recognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019**3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****3.16 FINANCIAL INSTRUMENTS (continued)****3.16.7 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.17 PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

All other financing costs are recognised in consolidated income statement in the period in which they are incurred.

3.18 FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as, investments carried at fair value through other comprehensive income at each reporting date. Also, fair values of financial instruments nonfinancial assets such as investment properties measured fair value are disclosed in note 27.

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 FAIR VALUE MEASUREMENT (continued)

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial investments, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers may be involved for valuation of significant assets, such as investment properties.

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

3.19 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of new standards on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from January 01, 2019, where they are different to those applied in prior periods.

3.19.1 Impact of adoption of 16 Leases

The following tables summarize the significant changes and quantitative impact of adopting IFRS 16 on the financial statements of the Group for the year ending December 31, 2019.

Below are the adjustments recorded for IFRS 16 in the current period

<i>Impact on profit or loss</i>	<i>31, Dec 2019</i>	<i>31, Dec 2018</i>
	<i>AED '000</i>	<i>AED '000</i>
<i>Impact on profit (loss) for the period</i>		
Decrease in revenue	(17,106)	-
Decrease in cost of revenue	17,106	-
<i>Net impact on Income statement</i>	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 CHANGES IN ACCOUNTING POLICIES (continued)

3.19.1 Impact of adoption of 16 Leases (continued)

<i>Impact on assets, liabilities and equity as at 1 January 2019</i>	<i>As previously reported AED '000</i>	<i>IFRS 16 adjustments AED '000</i>	<i>As restated AED '000</i>
Net investment in finance lease	-	48,219	48,219
Net impact on total assets	-	48,219	48,219
Lease liabilities	-	48,219	48,219
Net impact on total liabilities	-	48,219	48,219
Net impact on Equity	-	-	-

Note – Comparative figures are not restated and are presented for reference purpose only.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and assumptions.

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

Judgements

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment, development work-in-progress and/or property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment, development work-in-progress and property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16, and IAS 40, in particular, the intended usage of property as determined by management and approved by the Company's Board of Directors.

Transfer from and to investment properties

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

Revenue recognition:

Judgements in relation to contracts with customers

Assessment of collectability to determine whether a contract with a customer exists

The Group is required to assess each of its contracts with customers to determine where it is probable that it will collect the consideration to which it will be entitled (i.e., the transaction price).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (*Continued*)

Judgements (continued)

Revenue recognition(continued)

Judgements in relation to contracts with customers (continued)

When performing the collectability assessment, the Group considers the customer's ability and intention to pay the expected consideration when due. The Group assesses a customer's ability to pay based on the customer's financial capacity and its intention to pay considering all relevant facts and circumstances, including past experiences with that customer or customer class.

In respect of consultancy income of AED 20.35 million recognised during the year, the Group has determined the collectability criteria is met considering that the contract is with a related party.

Satisfaction of performance obligations

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 for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time in the following circumstances:

- a) where contracts are entered into for development (sale of properties to customers), the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date;
- b) where contracts are entered into for construction (to construct an asset for the customer), the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and
- c) where contracts are entered into to provide services (property management and facility management), the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied. To determine the point in time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation, the Group considers that on signing on a sale and purchase agreements, customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset and revenue is booked accordingly for sale of land agreements without title deed is transferred.

Identification of performance obligations

The Group provides project management and consultancy services which includes preparing plan for the intended project, design, preparation of related tenders, conclusion of related contracts for executing the project and appointment of third parties to do the works such as contractors, consultants, marketing, selling, leasing, managing the project, brokering and all other works related to the project, whether during the execution of the project or after its completion. The Group determined that the based on nature of project management and consultancy services, certain type of services (such as concept master plan, detailed design and tender preparation, etc) are capable of being distinct based on the fact that the customer can benefit from such services individually. The Group is not providing a significant integration services because the presence of different nature of services together in this contract do not result in any additional or combined functionality and neither these can modify or customise the other. In addition, these are not highly interdependent or highly interrelated. Consequently, the Group allocated a portion of the transaction price to the different phases of consultancy services based on relative stand-alone selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (continued)

Revenue recognition (continued)

Judgements in relation to contracts with customers (continued)

Determination of transaction prices

The Group is required to determine the transaction price 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 and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

During the year, the Group recognised an adjustment of AED 80.69 Million as reduction to the transaction price relating to significant financing component on bulk deals where a significant portion of the transaction price is recoverable beyond 12 months of the balance sheet date.

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 assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In the case of contracts to sell real estate assets this is generally when the sale and purchase agreement for the unit/ real estate asset has been signed and control is transferred based on the fact that customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset and there are no impediments in the handing over of the unit/ real estate asset to the customer. Management has determined that the transfer of title is not considered to be the point of recognition of sale as the formalities for transfer of title is not considered to be a substantive formality.

Reimbursement of infrastructure-related costs

The Group, being master developer for real estate projects, incurs certain infrastructure-related costs relating to development of projects which are reimbursable by government and related authorities as per the memorandum of understanding and / or acknowledgements by such government-related authorities. Determination of the amount of reimbursement of costs recoverable from government authorities requires significant judgement. The management takes into account the latest communications with the related government-related authorities. As at 31 December 2019, the Group has recognised an amount of AED 456 million, adjusted for expected credit losses made under IFRS 9. (2018: AED 456 million) representing costs reimbursable by the relevant authorities. Any difference between the amounts actually reimbursed by the government-related authorities in future periods and the amounts expected will be recognised in the consolidated income statement. Management has determined that the amounts to be collected is as a minimum expected to cover the amounts currently recognised as receivable and therefore not exposed to additional credit risk.

Estimation and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, which 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
31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

Impairment losses on receivables

In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behavior such as likelihood of customer defaulting. Management consider the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;
- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Group recognises lifetime expected credit loss (ECL) for trade and other receivables using the simplified approach (note 9). Allowance for impairment losses on trade receivables during the year is AED 108.71 Million.

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 the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

- a) For development contracts, the cost of development and related infrastructure;
- b) For construction contracts, the certified works as evaluated by project consultant; and
- c) For services contracts, the time elapsed.

The Group also provides project management and consultancy services which includes preparing plans for intended projects, design, preparation of related tenders, conclusion of related contracts for executing the project and appointment of third parties to do the works. In case of such projects, the Group has applied a practical expedient and based on that the Group has determined that there is a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. As a result, the Group has recognised revenue in the amount to which the Group has a right to invoice. During the year, the Group has recognised revenue of AED 20.3 Million for the development management fee.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimation and assumptions (continued)***Percentage-of completion and cost to complete estimates of construction contracts*

The Group uses the percentage-of-completion method in accounting for its construction contracts. At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claim by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised.

The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Cash flows supporting going concern assumption

The consolidated financial statements of the Group have been prepared on a going concern basis as the management is confident in generating adequate cash flows to meet the Group's working capital and financial commitments as they fall due covering a period at least 12 months from the balance sheet date. Judgement is required in the assessment of the key cash flow assumptions which are most sensitive to applying the going concern basis of accounting.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on methods such as the Comparative Method of Valuation, the Hypothetical Development Approach, and the Income Capitalisation Method.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised.

Under the Comparative Method of Valuation, the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

The Hypothetical Development Approach requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimation and assumptions (continued)**

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The key assumptions used are as follows:

	2019	2018
	AED '000	AED '000
Discount rate (%)	9%-9.25%	9%-9.25%
Rent per sqm (AED)	500-2881	500-2881
Rental grown rate (%)	2.5%-3%	2.5%-3%
Occupancy rate (%)	47%-100%	46%-100%

Investment properties amounting to AED 595 million (2018: AED 483 million) have been valued using comparable method of valuation.

Estimation of net realisable value for inventory and development work in progress

Properties held for sale and properties classified under development work in progress are stated at the lower of cost or net realisable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

Due to the limited number of comparable market transactions, the independent real estate valuation consultants of the Group have used significant judgement in arriving at the NRV of properties held for sale and development work in progress. The realisable values may significantly differ from the current estimates made by the independent real estate valuation consultants.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The Group owns two district cooling plants in Al Reef Development ("Al Reef Cooling" plant) and BMC Development ("Capital Cooling" plant). The district cooling plants were historically depreciated over a useful life of 25 years. The Group revised the total useful life to 40 years from 1 January 2015 onwards based on inputs from the district cooling technical teams and benchmarking to industry practice.

Valuation of unquoted investments

Such assets primarily consist of investments in private equity investments and co-investment in funds and are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines, including but not limited to current market value of another instrument which is substantially the same or expected cash flows of the underlying net asset base of the investment. This determination requires significant estimates and judgement with respect to future earnings, cash flows and discount rates. In making these estimates, the Group evaluates, among other factors, expected cash distributions as well as the business outlook for each investment together with relevant market risk and volatility.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

5. REVENUE AND COST OF REVENUE

	2019 AED '000	2018 AED '000
a) Revenue		
Sales of properties*	702,674	552,234
Development management fee from a related party	20,350	83,000
Rental income	126,633	78,236
Property management fees	12,577	12,637
Revenue from district cooling services	24,935	24,306
Transfer fee income	-	-
Facility management services and others	<u>59,679</u>	<u>58,856</u>
	<u>946,848</u>	<u>809,269</u>
b) Cost of revenue		
Cost of properties sold, net	412,040	357,402
Cost development management	-	5,000
Operating cost of rental properties	23,979	45,580
Cost of Property management	6,314	14,610
Cost of district cooling services	18,229	15,570
Cost of facility management services and others	<u>21,301</u>	<u>35,182</u>
	<u>481,863</u>	<u>473,344</u>

*Sale of properties includes AED 228 million for the units repurchased from owners and sold to new customers. Also, this is netted of with adjustments financing component of AED 80.69 Million (2018: AED 51 Million).

6. FINANCE COSTS

	2019 AED '000	2018 AED '000
Finance costs incurred during the year	94,678	90,182
Unwinding of discount of payable	3,547	-
Unwinding of discount of receivable	<u>(8,218)</u>	<u>(4,999)</u>
	90,007	85,183
Finance cost charged to consolidated income statement	<u>76,483</u>	<u>71,659</u>
Finance cost capitalized (Note 12)	<u>13,524</u>	<u>13,524</u>

7. EXPENSES

7.1 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 AED '000	2018 AED '000
Payroll and employees related expenses	42,417	41,965
Depreciation (Note 15)	2,179	2,281
Rent expense	1,423	1,356
Legal and professional charges	5,021	6,187
Transportation expense	531	654
Foreign Exchange loss	-	3,318
Other expenses	<u>7,476</u>	<u>2,457</u>
	<u>59,047</u>	<u>58,218</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

7. EXPENSES (continued)

7.2 SELLING AND MARKETING EXPENSES

	2019 AED '000	2018 AED '000
Mall advertisements	82	551
Project and others	<u>351</u>	<u>1,805</u>
	<u>433</u>	<u>2,356</u>

8. BANK BALANCES AND CASH

	2019 AED '000	2018 AED '000
Cash and bank balances	70,666	145,405
Restricted deposits	<u>1,025</u>	<u>1,025</u>
	71,691	146,430
Restricted deposits	<u>(1,025)</u>	<u>(1,025)</u>
	<u>70,666</u>	<u>145,405</u>

Included in cash and bank balances are bank deposits of AED 1.02 Million (2018: AED 1.02 Million) held with an Islamic Bank in Abu Dhabi. They can only be utilised for certain specific activities

Significant non-cash transaction excluded from the consolidated statement of cash flows are as follows:

	2019 AED '000	2018 AED '000
Acquisition of investment property from a related party	<u>-</u>	<u>120,000</u>

9. TRADE AND OTHER RECEIVABLES

	2019 AED '000	2018 AED '000
Trade receivables	183,576	116,753
Prepayments	50,532	39,245
Advance to contractors	25,175	4,302
Receivable from sale of properties (Note 9.1)	1,292,333	1,087,620
Receivable from a related party for development management fee (Note 22)	338,000	317,650
Rent receivable	131,421	43,562
Others	<u>36,900</u>	<u>11,312</u>
	2,057,937	1,620,444
Less: Allowance for expected credit losses (Note 9.2)	<u>(175,585)</u>	<u>(66,872)</u>
	<u>1,882,352</u>	<u>1,553,572</u>

Receivable from sale of properties include from AED 338 Million receivable from related parties (2018: AED 317.5 Million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

9.1. Gross amounts due from/(due to) customers on contracts for sale of properties

	2019 AED '000	2018 AED '000
Amount due from customers included in trade and other receivables (Note 9)	1,292,333	1,087,620
Amount due to customers included in trade and other payables	<u>-</u>	<u>-</u>
	<u>1,292,333</u>	<u>1,087,620</u>
Total contracts cost incurred plus recognized profits less recognized losses to date	2,643,096	2,394,346
Less: Total progress billings to date	<u>(1,350,763)</u>	<u>(1,306,726)</u>
	<u>1,292,333</u>	<u>1,087,620</u>

9.2. Allowance for expected credit losses

Movement during the year in allowance of expected credit losses:

	2019 AED '000	2018 AED '000
At 01 January	66,872	1,523
Effect of adoption of IFRS 9	-	31,726
Charge for the year	<u>108,713</u>	<u>33,623</u>
	<u>175,585</u>	<u>66,872</u>

The Group recognises lifetime expected credit loss (ECL) for trade and other receivables (except for prepayment, advance to contractor and other receivables) using the simplified approach. To determine the expected credit losses all debtors were classified into four categories:

Category I – government related companies (Note 13);

Category II - private companies (including related parties) with low credit risk;

Category III – private companies with high credit risk; and

Category IV - debtors at default

These were adjusted for factors that are specific to the debts and general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

The charge for the year also includes additional provisions over and above required contractual amounts.

Below is the information about the credit risk exposure on the Group's trade and other receivables is as follows:

December 31, 2019	Category I AED '000	Category II AED '000	Category III AED '000	Category IV AED '000	Total AED '000
Expected credit loss rate	0.5%	1% to 5%	5% to 20%	20% to 100%	
Gross amount	-	1,498,689	550,077	9,171	2,057,937
Expected credit losses	-	75,799	96,144	3,642	175,585
December 31, 2018					
Expected credit loss rate	5% to 7%	1% to 20%	5% to 50%	50% to 100%	
Gross amount	-	1,103,501	274,753	10,000	1,388,254
Expected credit losses	-	12,308	50,988	3,576	66,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

10. PROPERTIES HELD FOR SALE

	2019 AED '000	2018 AED '000
Commercial properties	<u>5,902</u>	<u>5,902</u>

The land held for sale was subject to the valuation review as at 31 December 2019, as a result of which it was found that the carrying value is not less than the selling price less cost to sell.

11. INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments carried at fair through other comprehensive income represented investments in private equities and funds. These investments are fully impaired as at 31 December 2019.

12. DEVELOPMENT WORK-IN-PROGRESS

Development work-in-progress represents development and construction related costs incurred on properties being constructed by the Group for sale in the ordinary course of business. The movement during the year is as follows:

	2019 AED '000	2018 AED '000
Balance at 1 January	323,012	172,104
Additions during the year	285,039	337,732
Transfer from investment properties (Note 14)	-	196,722
Transfer to investment properties (Note 14)	(41,400)	(36,351)
Finance cost capitalized (Note 6)	13,524	13,524
Net foreign exchange loss	-	(3,318)
Cost of properties sold during the year	<u>(397,416)</u>	<u>(357,401)</u>
Balance at 31 December	<u>182,759</u>	<u>323,012</u>

The properties included in Development Work in progress transferred to Investment Properties during the year is AED 41.4 Million.

The amount of borrowing costs capitalized during the year ended 31 December 2019 was AED 13.52 Million (2018: AED 13.52).

13. RECOVERABLE INFRASTRUCTURE COSTS - NET

	2019 AED '000	2018 AED '000
Recoverable infrastructure costs	491,017	491,017
Allowance for expected credit losses (Note 13.1)	<u>(35,197)</u>	<u>(35,197)</u>
	<u>455,820</u>	<u>455,820</u>

In arriving at the cost of properties sold, the Group has taken into account that the Government related entities will reimburse the infrastructure costs incurred by the Group on various developments amounting to AED 561 million. The management supported by the Board of Directors is in discussions with Abu Dhabi Water and Electricity Authority and other government related entities relating to recovery of infrastructure costs. The Group received an amount of AED 70 million up till the year ended 31 December 2014 and the remaining AED 491 million have been claimed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

13. RECOVERABLE INFRASTRUCTURE COSTS – NET (continued)

The expected credit loss against this outstanding balance has been calculated by applying the time value considering the expected recovery over the coming years and current economic conditions.

13.1 Allowance for expected credit loss

Movement during the year in allowance of expected credit loss:

	2019 AED '000	2018 AED '000
Effect of adoption of IFRS 9 January 01, 2019/2018	35,197	29,257
Charge for the year	-	5,940
At 31 December	<u>35,197</u>	<u>35,197</u>

14. INVESTMENT PROPERTIES

Investment properties comprise the following:

	2019 AED '000	2018 AED '000
Commercial properties	<u>2,028,961</u>	<u>1,947,186</u>

Movement in investment properties during the year is as follows:

	2019 AED '000	2018 AED '000
Balance at 1 January	1,947,186	1,770,160
Additions during the period	2,128	120,000
Transfers to development work in progress (Note 12)	-	(196,722)
Transfer from development work in progress (Note 12)	41,400	36,351
Transfer from property, plant & equipment (Note 15)	-	135,979
Disposals	-	(2,845)
Changes in fair value during the year net (Note 14)	<u>38,247</u>	<u>84,263</u>
Balance at 31 December	<u>2,028,961</u>	<u>1,947,186</u>

Investment properties with a carrying value of AED 174.1 Million (2018: AED 168.3 Million) are mortgaged in favour of lender against the bank borrowings.

- 14.1 In 2018, included within the changes in fair value during the year is a fair value gain of AED 189 Million relating to the Capital mall as further detailed under "Commercial Properties" above. As a result of the purchase of Capital Mall land, the Company has obtained rights to the mall cash flows in perpetuity, resulting in a significant fair value gain on this property due to the impact of terminal value.

The fair value of investment properties at 31 December 2019 has been arrived at on the basis of a valuation carried out by independent real estate valuation consultants. The valuation, which conforms to the Royal Institution of Chartered Surveyors Valuation Standards and the relevant statements of the International Valuations Standards, was arrived at by using recognized valuation methods comprising the Comparative Method of Valuation, Income Capitalization Method and Hypothetical Development Approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019**14. INVESTMENT PROPERTIES (continued)**

The Group conducted a sensitivity analysis for Capital mall in its investment property portfolio with an aggregate value of AED 1,202 Million. The sensitivity has been conducted on the Discount rate and Rental Values. Based on this sensitivity analysis:

- a decrease in the capitalisation/ discount rate by 50bps would result in a value of AED 129.7 Million or 8.11% increase in the valuation, whilst an increase in the capitalisation/ discount rate by 50bps would result in AED 111.6 Million. 6.97% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 129 Million or 7.54% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 110.9 Million or 7.53% decrease in the valuation.

The Group conducted a sensitivity analysis for five largest assets, other than capital mall, in its investment property portfolio with an aggregate value of AED 719.9 Million. The sensitivity has been conducted on the Capitalisation Rates for the asset where investment method was used and Capital Values for the assets where comparable method of valuation was used, and Rental Values. Based on this sensitivity analysis:

- a decrease in the capitalisation/ discount Rate and by 50bps and increase in capital value by 10% respectively, that would result in a AED 785.3 Million or 9.08% increase in the valuation, whilst an increase in the capitalisation/ discount Rate by 50bps and decrease in capital value by 10% respectively, that would result in AED 656.3 Million 8.84% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 741.1 Million or 2.94% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 698,737 thousand or 2.94% decrease in the valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	<i>Office building</i>	<i>Furniture and fixtures</i>	<i>District cooling plants</i>	<i>Leasehold building improvement</i>	<i>Computers and software</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Land</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
2019									
Cost/revaluation:									
As at 1 January 2019	32,237	36,993	297,093	10,732	9,259	2,541	1,946	768,042	1,158,843
Additions	-	-	-	-	399	54	28	-	481
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	159,788	159,788
Disposal	-	-	-	-	-	(21)	(85)	-	(106)
As at 31 December 2019	32,237	36,993	297,093	10,732	9,658	2,574	1,889	927,830	1,319,006
Depreciation:									
As at January 2019	5,010	35,290	42,911	3,651	7,851	1,807	1,316	-	97,836
Charge for the year	1,181	151	6,508	952	631	395	426	-	10,244
Disposal	-	-	-	-	-	(19)	(21)	-	(40)
Impairment	-	-	-	-	-	-	-	-	-
As at December 2019	6,191	35,441	49,419	4,603	8,482	2,183	1,721	-	108,040
Net carrying amount:									
As at 31 December 2019	<u>26,046</u>	<u>1,552</u>	<u>247,674</u>	<u>6,129</u>	<u>1,176</u>	<u>391</u>	<u>168</u>	<u>927,830</u>	<u>1,210,966</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Office building</i>	<i>Furniture and fixtures</i>	<i>District cooling plants</i>	<i>Leasehold building improvement</i>	<i>Computers and software</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Land</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
2018									
Cost/revaluation:									
As at 1 January 2018	32,237	35,331	297,093	10,732	9,239	1,843	1,940	1,028,423	1,416,838
Additions	-	1,662	-	-	20	698	122	-	2,502
Transfers	-	-	-	-	-	-	-	(135,979)	(135,979)
Revaluation	-	-	-	-	-	-	-	(124,402)	(124,402)
Disposal	-	-	-	-	-	-	(116)	-	(116)
As at 31 December 2018	32,237	36,993	297,093	10,732	9,259	2,541	1,946	768,042	1,158,843
Depreciation:									
As at January 2018	3,254	34,426	36,220	2,801	7,814	1,130	1,080	-	86,725
Charge for the year	1,181	864	6,691	850	37	677	352	-	10,652
Disposal	-	-	-	-	-	-	(116)	-	(116)
Impairment	<u>575</u>	-	-	-	-	-	-	-	<u>575</u>
As at December 2018	5,010	35,290	42,911	3,651	7,851	1,807	1,316	-	97,836
Net carrying amount:									
As at 31 December 2018	<u>27,227</u>	<u>1,703</u>	<u>254,182</u>	<u>7,081</u>	<u>1,408</u>	<u>734</u>	<u>630</u>	<u>768,042</u>	<u>1,061,007</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year has been reflected in cost of revenue from district cooling services and general and administrative expenses as follows:

	2019 AED '000	2018 AED '000
General and administrative expenses (Note 7.1)	2,179	2,281
Cost of goods sold	<u>8,065</u>	<u>8,371</u>
	<u>10,244</u>	<u>10,652</u>

The Group uses the revaluation model of IAS 16 for certain classifications of property, plant and equipment. The revalued properties consist of land plots held by the Group as property, plant and equipment.

Property, plant and equipment with a carrying value of AED 1,175,504 thousand (2018: AED 984,505 thousand) are mortgaged in favour of lender against the bank borrowings.

The fair value of land carried under revaluation model as at 31 December 2019 has been arrived at on the basis of a valuation carried out by independent real estate valuation consultant. The valuation, which conforms to the Royal Institution of Chartered Surveyors Valuation Standards and the relevant statements of the International Valuations Standards, was arrived at by using recognised valuation methods. During the year, valuation resulted in a gain of AED 159,788 thousand which was recorded in other comprehensive income.

The Group conducted a sensitivity analysis for all its land classified under property, plant and equipment. The sensitivity has been conducted on the discount rate and yield. Based on this sensitivity analysis:

a decrease in the capital value by 10% would result in value of AED 1,057.95 Million, whilst an increase in the capital value by 10% would result in value of AED 1,293.54 Million.

Included in the Property, Plant & Equipment at 31 December 2019 was an amount of AED 927.83 Million (2018: AED 768.04 Million) relating to land plots.

Reconciliation of carrying amount

	2019 AED '000	2018 AED '000
Carrying amount as at 1 January	768,042	1,028,423
Revaluation gain/(loss)	159,788	(124,402)
Transfers to investment properties (Note 14)	-	(135,979)
Fair value as at 31 December	<u>927,830</u>	<u>768,042</u>

If the land were measured using the cost model, the carrying amounts would be as AED 643.92 Million (2018: AED 643.92 Million). No depreciation would have been recognised considered that the asset is a freehold land.

16. SHARE CAPITAL

Share capital comprises 2,600,000 thousand (2018: 2,600,000 thousand) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

17. STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015, 10% of the profit for the year shall be transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. TRADE AND OTHER PAYABLES

	2019 AED '000	2018 AED '000
Trade payables	186,860	104,626
Dividend payable	92,923	93,335
Payable to related parties against purchase of land (Note 22)	575,747	574,727
Hedging liabilities*	14,734	-
Accruals	4,352	3,169
Retentions	27,241	29,701
Due to related parties (Note 22)	27,000	15,501
Deferred income	5,546	106,491
Finance cost payable	19,459	39,489
Refundable deposit	12,573	12,520
Others	15,197	5,078
	<u>981,632</u>	<u>984,637</u>

* Hedging liabilities represents the liability on profit rate swaps.

19. BANK BORROWINGS

Financing from banks is represented by the following facilities:

	Expected profit	Maturity	2019 AED '000	2018 AED '000
Term financing arrangement 1	Variable rate	2013 to 2022	164,113	220,643
Term financing arrangement 2	Variable rate	2017 to 2019	-	156,500
Revolving credit facility 1	Variable rate	Revolving	200,000	200,000
Term financing arrangement 3	Variable rate	2016 to 2023	447,500	462,500
Term financing arrangement 4	Variable rate	2016 to 2023	340,750	382,000
Term finance arrangement 5	Variable rate	2016 to 2027	67,539	73,338
Term financing arrangement 6	Variable rate	2019 to 2029	178,734	-
Term finance arrangement 7	Variable rate	2019 to 2024	66,000	-
			<u>1,464,635</u>	<u>1,494,981</u>

Movements in bank borrowings during the year are as follows:

	2019 AED '000	2018 AED '000
As at 1 January	1,494,981	1,499,410
Proceeds from bank borrowings	244,734	73,337
Repayment of bank borrowings	(275,080)	(77,766)
Closing balance	<u>1,464,635</u>	<u>1,494,981</u>

Bank borrowings are secured by a number of security documents including registered mortgages over various properties in Abu Dhabi and assignment of rental proceeds.

There are various other conditions and financial covenants attached to the bank borrowings which are in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. EMPLOYEES' END OF SERVICE BENEFITS

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

	2019 AED '000	2018 AED '000
As at 1 January	5,894	5,112
Charge for the year	1,492	1,283
Paid during the year	<u>(180)</u>	<u>(501)</u>
As at 31 December	<u>7,206</u>	<u>5,894</u>

21. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and share data used in calculating the basic and diluted earnings per share computations:

	2019 AED '000	2018 AED '000
Profit for the year attributable to ordinary equity holders of the Parent for basic and diluted earnings per share (AED '000)	240,626	230,735
Weighted average number of ordinary shares ('000)	2,600,000	2,600,000
Basic and diluted earnings per share (AED)	<u>0.093</u>	<u>0.089</u>

The Group does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms 's length. In the ordinary course of these transactions are approved by the management and are not necessarily at arm of business, the Group entered into transactions with related parties. Conditions relating to transactions with related parties are determined by the management or the Board of Directors of the Group.

The following is a summary of transactions and key balances with related parties:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	2019 AED '000	2018 AED '000
Transaction with Key Management Personnel		
Ancillary fees for the Board of Directors' special efforts	<u>18,000</u>	<u>18,000</u>
Key management remuneration	<u>19,182</u>	<u>18,195</u>
Short term employment benefits	<u>(656)</u>	<u>772</u>
Number of key management personnel	<u>10</u>	<u>11</u>
Transaction with other related parties – Entity with common key management/ directors		
<i>Recognised in the consolidated income statement</i>		
Development management fee – Revenue	<u>20,350</u>	<u>83,000</u>
Rent income	<u>3,223</u>	<u>3,223</u>
Rent expense	<u>-</u>	<u>2,600</u>
<i>Recognised in the consolidated statement of financial position</i>		
Purchase of land	<u>-</u>	<u>179,120</u>
Related parties balances		
<i>Due from related parties</i>		
Entity with common key management personnel	<u>338,000</u>	<u>317,650</u>
Key management personnel	<u>6,965</u>	<u>95,507</u>
<i>Due to related parties</i>		
Entities with common key management personnel	<u>575,747</u>	<u>574,727</u>
Directors and others	<u>27,000</u>	<u>15,501</u>

23. CONTINGENCIES AND COMMITMENTS

Commitments

Development expenditure and investments contracted for at the end of the reporting period but not provided for are as follows:

	2019 AED '000	2018 AED '000
Development work-in-progress, investment properties under construction and capital work in progress	<u>21,860</u>	<u>456,500</u>

Contingent liabilities

There are certain claims under litigation against the Group. Although it is not possible at this time to predict the outcome of these claims, management does not expect that these claims will have a material adverse effect on the Group's financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 AED '000	2018 AED '000
Financial assets at amortised cost		
Cash and bank balances	71,691	146,430
Loans and receivables	<u>2,401,150</u>	<u>1,849,171</u>
Total	<u>2,472,841</u>	<u>1,995,601</u>
Financial liabilities at amortised cost	<u>2,406,438</u>	<u>2,145,328</u>

25. RISK MANAGEMENT

25.1 Capital management

The Group's policy is to maintain a strong capital base to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of healthy capital ratios.

The Group's strategy for monitoring capital is based on the gearing ratio. This ratio is calculated as net debt divided by total equity.

Gearing ratio

	2019 AED '000	2018 AED '000
Bank borrowings	1,464,635	1,494,981
Bank balances and cash	<u>(71,691)</u>	<u>(146,430)</u>
Net debt	1,392,944	1,348,551
Equity attributable to owners of the parent	<u>3,321,441</u>	<u>2,935,761</u>
Gearing ratio (%)	<u>42%</u>	<u>46%</u>

The Group's policy is to keep its gearing ratio within acceptable limits. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

25.2 Financial risk management objectives

The Group is exposed to credit risk, liquidity risk, market risk and profit rate risk. The Group's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group by analysing exposures by degree and magnitude of risks.

25.3 Market risk

Market risk arises from fluctuations in profit rates and currency rates. The management monitors the market risk on an ongoing basis and on any significant transaction. Market risk is further analysed into profit rate risk and equity price risk.

25.4 Profit/interest risk

Profit rate risk arises from the possibility that changes in profit rates will affect the value of financial instruments. The Group is exposed to profit rate risk on its profit-bearing assets and liabilities (Bank borrowings).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

25. RISK MANAGEMENT (continued)

25.4 Profit/interest risk (continued)

Profit rates on Bank borrowings are constantly monitored for adverse events and further repriced when an appropriate opportunity arises.

Bank borrowings carry variable profit rates; however, these are subject to a minimum expected fixed profit rate.

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/ decrease by AED 847 thousand (2018: increase/ decrease by AED 767 thousand).

25.5 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables are reviewed on an ongoing basis and provision made for expected losses as and when required. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Geographically 100% (2017: 100%) of the Group's trade receivables are based in United Arab Emirates. Its five largest receivables account for 85% of the trade receivables as of 31 December 2019 (2017: 70%), out of which 16% are due from related parties (2017: 12%).

The Group has entered into contracts for the sale of residential and commercial units on an instalment basis. The instalments are specified in the contracts. The Group is exposed to credit risk in respect of instalments due. However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered. In addition, instalments dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The credit risk on liquid funds is limited because the counterparties are reputable local banks closely monitored by the regulatory body. The carrying amount reflected in these consolidated financial statements represents the Group's maximum exposure to credit risk for such receivables.

25.6 Liquidity risk

The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve financing facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

25. RISK MANAGEMENT (continued)

25.6 Liquidity risk (continued)

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted repayment arrangements was as follows:

	<i>Upto 1 month AED '000</i>	<i>1 to 6 months AED '000</i>	<i>6 to 12 months AED '000</i>	<i>Over 1 year AED '000</i>	<i>Total AED '000</i>
As at 31 December 2019					
Trade and other payables	22,959	47,280	368,056	543,337	981,632
Bank borrowings	19,459	109,900	101,430	1,541,687	1,772,476
Total	42,418	157,180	469,486	2,085,024	2,754,108
As at 31 December 2018					
Trade and other payables	3,534	42,159	671,672	144,319	861,684
Bank borrowings	-	107,122	285,012	1,387,625	1,779,759
Total	3,534	149,281	956,684	1,531,944	2,641,443

25.7 Maturity profile

The maturity profile of the assets and liabilities at 31 December 2019 is expected to be as follows:

	<i>Total AED '000</i>	<i>Amounts expected to be recovered or settled Within 12 months of balance sheet date AED '000</i>	<i>After 12 months of balance sheet date AED '000</i>
Bank balances and cash	71,691	71,691	-
Trade and other receivables	1,882,352	695,566	1,186,786
Properties held for sale	5,902	-	5,902
Net investment in Finance lease	31,113	14,905	16,208
Development work-in-progress	182,759	62,433	120,326
Recoverable infrastructure costs	455,820	150,000	305,820
Investment properties	2,028,961	-	2,028,961
Property, plant and equipment	1,210,966	-	1,210,966
TOTAL ASSETS	5,869,564	994,595	4,874,969
LIABILITIES			
Trade and other payables	981,632	438,295	543,337
Provisions	48,139	48,139	-
Lease Liabilities	31,113	14,905	16,208
Bank borrowings	1,464,635	151,518	1,313,117
Advances from customers	16,575	16,575	-
Employee's end of service benefits	7,206	-	7,206
TOTAL LIABILITIES	2,549,300	669,432	1,879,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. RISK MANAGEMENT (continued)

25.7 Maturity profile (continued)

The maturity profile of the assets and liabilities at 31 December 2018 is expected to be as follows:

	<i>Amounts expected to be recovered or settled</i>		
	<i>Total</i>	<i>Within 12 months</i>	<i>After 12 months</i>
	<i>AED '000</i>	<i>of balance sheet</i>	<i>of balance sheet</i>
		<i>date</i>	<i>date</i>
		<i>AED '000</i>	<i>AED '000</i>
Bank balances and cash	146,430	146,430	
Trade and other receivables	1,553,572	716,623	836,949
Properties held for sale	5,902	-	5,902
Development work-in-progress	323,012	105,004	218,008
Recoverable infrastructure costs	455,820	150,000	305,820
Investment properties	1,947,186		1,947,186
Property, plant and equipment	<u>1,061,007</u>	<u>-</u>	<u>1,061,007</u>
TOTAL ASSETS	<u>5,492,929</u>	<u>1,118,057</u>	<u>4,374,872</u>
LIABILITIES			
Trade and other payables	984,637	603,099	381,538
Provisions	54,378	54,378	-
Bank borrowings	1,494,981	297,043	1,197,938
Advances from customers	18,455	18,455	-
Employee's end of service benefits	<u>5,894</u>	<u>-</u>	<u>5,894</u>
TOTAL LIABILITIES	<u>2,558,345</u>	<u>972,975</u>	<u>1,585,370</u>

25.8 Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group consolidated financial statements at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar. Also, the Saudi Riyal is pegged to the US Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. FAIR VALUE MEASUREMENT

Fair value measurement recognised in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: Quoted (unadjusted prices in active markets for identical assets or liabilities).

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	AED '000	AED '000	AED '000	AED '000
2019:				
Investment properties	-	-	2,028,961	2,028,961
Land	-	-	927,830	927,830
Profit rate swaps	-	14,734	-	-
Total	<u>-</u>	<u>14,734</u>	<u>2,956,791</u>	<u>2,956,791</u>
2018:				
Investment properties	-	-	1,947,186	1,947,186
Land	-	-	768,042	768,042
Total	<u>-</u>	<u>-</u>	<u>2,715,228</u>	<u>2,715,228</u>

The following table shows a reconciliation of all movements in the fair value of assets categorised within Level 3.

	2019	2018
	AED '000	AED '000
Balance at 1 January	1,947,186	1,770,160
Additions (note 15.1)	2,128	120,000
Transfers to DWIP (note 13)	-	(196,722)
Transfers from DWIP (note 13)	41,400	36,351
Transfers from PPE (note 15.2)	-	135,979
Disposals	-	(2,845)
Changes in fair value during the year, net Changes	38,247	84,263
in fair value during the year through OCI	-	(10,412)
Balance at 31 December	<u>2,028,961</u>	<u>1,947,186</u>
Carrying amount as at 1 January	768,042	1,028,423
Revaluation loss	159,788	(124,402)
Additions	-	-
Transfers to IP	-	(135,979)
Fair value as at 31 December	<u>927,830</u>	<u>768,042</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. FAIR VALUE MEASUREMENT (continued)

Investment properties amounting to AED 1,433 million (2018: AED 1,463 million) have been valued using income capitalisation and hypothetical development approach methods using the following unobservable inputs:

	2019	2018
	AED '000	AED '000
Discount rate (%)	9%-9.25%	9%-9.25%
Rent per sqm (AED)	500-2881	500-2881
Rental grown rate (%)	2.5%-3%	2.5%-3%
Occupancy rate (%)	47%-100%	46%-100%

Investment properties amounting to AED 595 million (2018: AED 483 million) have been valued using comparable method of valuation.

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

27. SEGMENT INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary reporting format, business segments, reflects the manner in which financial information is evaluated by the Board of Directors and the management. Business segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the management of the Group for allocation of resources and performance assessment. Segment performance is evaluated based on gross profit and changes in fair values of investment properties.

27.1 Operating segments

The Group's policy is to maintain a strong capital base to ensure that entities in the Group will be able to continue

For financial reporting purposes, the Group is organised into five main operating segments:

Property development and sales

Investment properties portfolio

Property management and related activities

District cooling services

Facility management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. SEGMENT INFORMATION (continued)

27.1 Operating segments (continued)

Operating Segments	Property development and sales	Development Management	Investment properties portfolio	Management fees and related activities	District cooling services	Facility management and others	Group
Year ended December 31, 2019	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Revenue	<u>702,674</u>	<u>20,350</u>	<u>126,633</u>	<u>12,577</u>	<u>24,935</u>	<u>59,679</u>	<u>946,848</u>
Cost of revenue	(412,040)	-	(23,979)	(6,314)	(18,229)	(21,301)	(481,863)
Gain on disposal of investment properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in the fair value of investment properties	<u>-</u>	<u>-</u>	<u>38,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,247</u>
Segment profit	<u>290,634</u>	<u>20,350</u>	<u>140,901</u>	<u>6,263</u>	<u>6,706</u>	<u>38,378</u>	<u>503,232</u>
Selling and marketing expenses							(433)
General and administrative expenses							(59,047)
Provision for expected credit loss							(108,713)
Exchange loss (DWIP)							-
Finance costs							(76,483)
Ancillary fees for the Board of Directors' special efforts							(18,000)
Other income							70
Profit for the year							<u>240,626</u>

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27. SEGMENT INFORMATION (continued)

Revenue	<u>552,234</u>	<u>83,000</u>	<u>78,236</u>	<u>12,637</u>	<u>24,306</u>	<u>58,856</u>	<u>809,269</u>
Cost of revenue	(357,402)	(5,000)	(45,580)	(14,610)	(15,570)	(35,182)	(473,344)
Changes in the fair value of investment properties	<u>-</u>	<u>-</u>	<u>84,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,263</u>
Segment profit	<u>194,832</u>	<u>78,000</u>	<u>116,919</u>	<u>(1,973)</u>	<u>8,736</u>	<u>23,674</u>	<u>420,188</u>
Selling and marketing expenses							(2,356)
General and administrative expenses							(54,900)
IFRS 9 adjustments							(39,563)
Finance costs							(71,659)
Net foreign exchange loss							(3,318)
Ancillary fees for the Board of Directors special efforts							(18,000)
Other income							<u>343</u>
Profit for the period							<u>230,735</u>

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27. SEGMENT INFORMATION (continued)

	<i>Property development and sales AED '000</i>	<i>Development management AED '000</i>	<i>Property management fee and related activities AED '000</i>	<i>Investment properties portfolio AED '000</i>	<i>District cooling services AED '000</i>	<i>Facility management and others AED '000</i>	<i>Total segments AED '000</i>	<i>Unallocated AED '000</i>	<i>Consolidated AED '000</i>
As at 31 December 2019									
Assets	<u>3,037,211</u>	<u>140,319</u>	<u>147,344</u>	<u>2,045,495</u>	<u>259,188</u>	<u>40,150</u>	<u>5,669,707</u>	<u>199,857</u>	<u>5,869,564</u>
Liabilities	<u>(1,718,267)</u>	<u>(17,946)</u>	<u>(32,872)</u>	<u>(216,704)</u>	<u>(6,197)</u>	<u>(17,207)</u>	<u>(2,009,193)</u>	<u>(540,107)</u>	<u>(2,549,300)</u>
As at 31 December 2018									
Assets	<u>2,884,331</u>	<u>140,319</u>	<u>1,976,141</u>	<u>64,958</u>	<u>258,955</u>	<u>93,336</u>	<u>5,240,709</u>	<u>74,889</u>	<u>5,492,929</u>
Liabilities	<u>(1,980,573)</u>	<u>(20,100)</u>	<u>(238,697)</u>	<u>(9,312)</u>	<u>(5,882)</u>	<u>(12,850)</u>	<u>(2,090,083)</u>	<u>(290,931)</u>	<u>(2,558,345)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. DIVIDEND

No dividends were declared and paid during the year.

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.
Such reclassifications have no effect on the previously reported profit or equity of the Group.