TROJAN HOLDING LLC

Reports and consolidated financial statements for the year ended 31 December 2019

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Directors' report
for the year ended 31 December 2019

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Trojan Holding LLC ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2019.

Principal activities

The principal activity of the Group is general contracting of construction and civil works.

Results and appropriation of profits

Revenue for the year was AED 3,708.7 million (2018: AED 3,930.6 million) and profit attributable to the owners' of the Group for the year was AED 219.1 million (2018: AED 207.7 million).

The movement in retained earnings for the year is as under:

	AED
Retained earnings at the beginning of the year	563,785,055
Profit for the year attributable to the Owners of the Group	219,107,722
Transfer to restricted reserve	(573,264)
Dividends paid	(25,000,000)
Retained earnings at the end of the year	**757,319,513**

Directors

The Directors of the Group throughout the year and as on yearend are as follow:

Ms. Sofia Laski
Mr. Hamad Al Shamsi
Mr. Alejandra Fonseca
Mr. Somar Ajalyaqin

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2019.

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as the external auditor of the Group for the year ending 31 December 2020.

for and on behalf of the Board of Directors

Director

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROJAN HOLDING LLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Trojan Holding LLC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROJAN HOLDING LLC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Group's books of account;
- Note 8 to the consolidated financial statements discloses the purchases and investments in shares made by the Group during the financial year ended 31 December 2019;
- Note 14 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

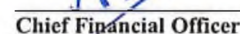
Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
21 December 2020
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position as at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Property and equipment	5	**477,831,709**	497,117,697
Intangible assets	6	**464,070**	883,745
Investment properties	7	**253,825,548**	122,220,675
Investment in associates	8	**4,092,406**	12,201,189
Right of use asset	12	**79,365,954**	-
Deposit with banks		**1,880,554**	1,863,492
Total non-current assets		**817,460,241**	634,286,798
Current assets			
Inventories	9	**135,302,416**	113,980,579
Development work in progress	23	**144,500,000**	144,500,000
Trade and other receivables	10	**1,679,035,230**	1,707,645,609
Contract assets	11	**996,694,568**	932,650,363
Due from related parties	14	**378,479,196**	529,451,506
Financial assets held at fair value through profit or loss		**-**	734,493
Cash and cash equivalents	13	**640,459,588**	610,006,838
Total current assets		**3,974,470,998**	4,038,969,388
Total assets		**4,791,931,239**	4,673,256,186
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**300,000**	300,000
Contributed capital	17	**357,610,312**	234,335,312
Statutory reserve	16	**150,000**	150,000
Restricted reserve	16	**72,379,373**	71,806,109
Retained earnings		**757,319,513**	563,785,055
Equity attributable to the Shareholders of the Company		**1,187,759,198**	870,376,476
Non-controlling interests	31	**36,508,138**	36,785,065
Total equity		**1,224,267,336**	907,161,541
Non-current liabilities			
Provision for employees' end of service benefit	18	**107,633,543**	95,556,829
Lease liabilities	12	**71,195,057**	-
Bank borrowings	22	**143,315,930**	172,257,704
Loan from a related party	14	**18,750,295**	18,085,213
Total non-current liabilities		**340,894,825**	285,899,746
Current liabilities			
Bank overdraft	19	**229,618,042**	246,966,740
Due to related parties	14	**11,513,550**	26,213,594
Bank borrowings	22	**175,299,827**	242,194,139
Contract liabilities	21	**687,454,851**	747,679,136
Trade and other payables	20	**2,115,327,890**	2,217,141,290
Lease liabilities	12	**7,554,918**	-
Total current liabilities		**3,226,769,078**	3,480,194,899
Total liabilities		**3,567,663,903**	3,766,094,645
Total equity and liabilities		**4,791,931,239**	4,673,256,186

Managing Director



Chief Financial Officer

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

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

	Notes	2019 AED	2018 AED
Revenue	**24**	**3,705,681,733**	3,930,574,985
Direct costs	**25**	**(3,329,509,110)**	(3,498,122,285)
Gross profit		**376,172,623**	432,452,700
General and administrative expenses	**26**	**(169,977,256)**	(171,846,883)
Impairment loss reversal/(charge) of trade receivables, retention receivables and advances to suppliers	**10**	**7,773,125**	(18,542,305)
Impairment loss on contract asset	**11**	**(6,978,482)**	(7,046,448)
Impairment loss reversal/(charge) on due from related parties	**14**	**15,212,103**	(31,672,322)
Other income	**27**	**20,324,362**	24,608,619
Finance income		**8,938,557**	7,976,600
Finance costs		**(32,777,873)**	(32,921937)
Share of profit from associates	**8**	**143,636**	6,353,926
Profit for the year		**218,830,795**	209,370,950
Other comprehensive income		-	-
Total comprehensive income for the year		**218,830,795**	209,370,950
Total profit attributable to:			
Owners of the Company		**219,107,722**	207,712,264
Non-controlling interests		**(276,927)**	1,658,686
		218,830,795	209,370,950
Total comprehensive income attributable to:			
Owners of the Company		**219,107,722**	207,712,264
Non-controlling interests		**(276,927)**	1,658,686
		218,830,795	209,370,950

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

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

	Share capital AED	Contributed capital AED	Statutory reserve AED	Restricted reserve AED	Retained earnings AED	Attributable to the Owners of the Company AED	Non-controlling interests AED	Total equity AED
Balance at 1 January 2018	300,000	6,027,800	150,000	48,950,000	1,205,799,215	1,261,227,015	56,844,682	1,318,071,697
Total comprehensive income for the year	-	-	-	-	207,712,264	207,712,264	1,658,686	209,370,950
Capital contributed (note 17)	-	144,500,000	-	-	-	144,500,000	-	144,500,000
Transfer of interest in subsidiaries under common control transactions (note 30)	-	-	-	-	(59,089,123)	(59,089,123)	(59,089,122)	(118,178,245)
Net deficit arising on acquisition of subsidiaries under common control transactions (note 29)	-	83,807,512	-	-	(732,781,192)	(648,973,680)	37,370,819	(611,602,861)
Transfer to restricted reserve	-	-	-	22,856,109	(22,856,109)	-	-	-
Dividend paid	-	-	-	-	(35,000,000)	(35,000,000)	-	(35,000,000)
Balance at 1 January 2019	300,000	234,335,312	150,000	71,806,109	563,785,055	870,376,476	36,785,065	907,161,541
Total comprehensive income for the year	-	-	-	-	219,107,722	219,107,722	(276,927)	218,830,795
Net movement in capital contribution (note 17)	-	123,274,999	-	-	-	123,274,999	-	123,274,999
Transfer to restricted reserve	-	-	-	573,264	(573,264)	-	-	-
Dividend paid	-	-	-	-	(25,000,000)	(25,000,000)	-	(25,000,000)
Balance at 31 December 2019	**300,000**	**357,610,312**	**150,000**	**72,379,373**	**757,319,513**	**1,187,759,198**	**36,508,138**	**1,224,267,336**

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

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

	2019 AED	2018 AED
Cash flows from operating activities		
Profit for the year	**218,830,795**	209,370,950
Adjustments for:		
Depreciation of property, plant and equipment	**101,215,208**	90,341,385
Amortisation of intangible assets	**444,925**	538,319
Amortisation of right of use asset	**7,155,174**	-
Finance costs	**32,777,873**	32,921,937
Gain on disposal of property, plant and equipment	**(1,040,325)**	(1,982,313)
Provision for employees' end of service benefit	**22,756,334**	25,218,115
Reversal of impairment loss allowance on financial assets	**(16,006,746)**	57,261,075
Write off of financial assets held at fair value through profit or loss	**734,493**	-
Depreciation of investment properties	**10,127,138**	4,985,643
Share of profit from associates	**(143,636)**	(6,353,926)
Reversal of allowance for slow moving inventories	**(2,061,406)**	1,477,663
Operating cash flows before changes in operating assets and liabilities	**374,789,827**	413,778,848
(Increase)/decrease in inventories	**(19,260,431)**	24,764,196
(Increase)/decrease in trade and other receivables	**(118,411,408)**	17,186,969
(Increase)/decrease in contract assets	**(71,022,687)**	96,332,652
Decrease in due from related parties	**166,184,413**	870,881,220
Increase in advances, deposits and prepayments	**(17,062)**	(309,132)
Decrease in trade and other payables	**(28,363,399)**	(13,382,991)
Decrease in contract liabilities	**(60,224,287)**	(396,927,983)
Decrease in due to related parties	**(18,748,587)**	(650,949,885)
Cash generated from operating activities	**224,926,379**	361,373,894
Employees' end of service benefit paid	**(10,679,620)**	(8,386,032)
Net cash generated from operating activities	**214,246,759**	352,987,862
Cash flows from investing activities		
Payments for purchases of property and equipment	**(85,777,872)**	(118,776,657)
Payments for purchases of investment property	**(2,223,474)**	(98,740)
Payments for purchases of intangible asset	**(25,250)**	(446,786)
Proceeds from disposal of property, plant and equipment	**4,888,979**	2,638,365
Dividend received from associates	**8,252,419**	1,170,000
Net movement in deposits with banks	**(2,892,679)**	2,745,792
Net cash inflow on acquisition of subsidiaries	-	2,092,960
Net cash used in investing activities	**(77,777,877)**	(110,675,066)
Cash flows from financing activities		
Dividend paid	**(25,000,000)**	(35,000,000)
Proceeds from bank borrowings	**6,215,721**	-
Repayment of bank borrowings	**(102,051,807)**	(99,074,426)
Receipt of capital contribution	**69,825,000**	-
Payment of lease liabities	**(7,771,153)**	-
Finance cost paid	**(32,777,873)**	(32,921,937)
Net cash used in from financing activities	**(91,560,112)**	(166,996,363)
Net increase in cash and cash equivalents	**44,908,769**	75,316,433
Cash and cash equivalents at the beginning of the year	**342,449,377**	267,132,944
Cash and cash equivalents at the end of the year(note 13)	**387,358,146**	342,449,377
Non-cash transactions:		
Netting off of advances against due to related parties balance (note 17)	**(20,000,000)**	-
Conversion of balance paid by the Ultimate Owner into contributed capital (note 17)	**143,275,000**	-
Net consideration on acquisition of subsidiaries	-	1,350,000

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

Notes to the consolidated financial statements for the year ended 31 December 2019

1 General information

Trojan Holding LLC ("the Company") is a limited liability company registered in the Emirate of Abu Dhabi, United Arab Emirates. The Company's registered address is P.O. Box 111059, Abu Dhabi, United Arab Emirates. The principal activities of the Company and its subsidiaries (together referred to as "the Group") is general contracting of construction of civil works. These consolidated financial statements as at 31 December 2019 include the financial performance and position of the Company and the following subsidiaries.

Sr. No.	Name of subsidiary	Percentage of ownership		Accounted for as	Principal activities
		2019	2018		
1	Trojan General Contracting LLC *	99.999%	99.999%	Subsidiary	Building projects contracting
2	National Projects and Construction LLC **	99.99%	99.99%	Subsidiary	Construction
3	Royal Advance Electromechanical LLC *	99%	99%	Subsidiary	Electromechanical services
4	Al Maha Modular Industries LLC *	99%	99%	Subsidiary	Ready-made building manufacturing
5	Hi-Tech Concrete Products LLC	100%	100%	Subsidiary	Building and selling of properties and lands and general contracting
6	Trojan Development LLC * (Dormant)	99.99%	99.99%	Subsidiary	Real estate
7	Reem Emirates Aluminium LLC *	99.99%	99.99%	Subsidiary	Design, manufacture, sell and install unitised aluminum and glass curtain walls, windows, sliding doors and architectural finishes
8	Phoenix Timber Factory LLC *	99%	99%	Subsidiary	Timber products
9	Reem Ready Mix LLC	60%	60%	Subsidiary	Building projects contracting
10	Hi-Tech Emirates For General Contracting * (Dormant)	99%	99%	Subsidiary	Building projects contracting
11	Trojan Commercial Investments LLC * (Dormant)	99.999%	99.999%	Subsidiary	Industrial and commercial enterprises investment, institution and management
12	Trojan Property Investments LLC * (Dormant)	99.99%	99.99%	Subsidiary	Real estate enterprises investment, institution and management
13	Hi-Tech Line Building Construction – Dubai (Dormant)	100%	100%	Subsidiary	Building projects contracting
14	Ersa General Contracting LLC * (Dormant)	99%	99%	Subsidiary	Building projects contracting
15	Swiss Chocolate Co LLC * (Dormant)	99.333%	99.333%	Subsidiary	Chocolate trading
16	Hi Tech Concrete Products LLC (KSA)	100%	100%	Subsidiary	Construction

* Remaining meager shareholding of the entity has been assigned by the shareholder in favor of the Company, and accordingly effective holding of the Company in this entity is 100%.

** Trojan Holding LLC hold 50.91% shares in National Projects and Construction LLC (NPC), however remaining shareholders have assigned their rights in favor of the Company and accordingly the effective holding of the Company in NPC is 99.99%.

2 Application of new and revised international financial reporting standards (IFRSs)

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

IFRS 16 *Leases*

In the current year, the Group, for the first time, has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". The date of initial application of IFRS 16 is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Company is January 1, 2019.

The Group adopted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. Under modified prospective application, the Group is not require to restate any comparative information. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of remaining lease liabilities, using the interest rate at the time of first time application.

<u>Impact of the new definition of a lease</u>

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. 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).

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

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

IFRS 16 *Leases (continued)*

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, the Group:

a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
c) 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.

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.

Prior to 31 December 2018, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

IFRS 16 *Leases (continued)*

Impact on Lessee Accounting (continued)

Former operating leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Practical expedient

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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.

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

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

IFRS 16 ***Leases (continued)***

Impact on Lessee Accounting (continued)

Former finance leases

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. This change did not have any effect on the Group's consolidated financial statements.

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, in particular 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).

Financial impact of initial application of IFRS 16

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

- Right-of-use assets – increase by AED 74,517,549
- Lease liabilities – increase by AED 74,517,549

Impact on consolidated statement of profit or loss

	31 December 2019 AED
Increase in depreciation and amortisation expense	3,153,981
Increase in finance costs	1,540,122
Decrease in other expenses	(3,480,743)
Decrease in profit for the year	1,213,360

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

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

IFRS 16 ***Leases (continued)***

Financial impact of initial application of IFRS 16 (continued)

Impact on consolidated statement of cash flows

	31 December 2019 AED
Interest paid	1,540,122
Net cash flows used in operating activities	**1,540,122**
Payment of principal portion of lease liabilities	2,844,297
Net cash flows used in financing activities	**2,844,297**

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

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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.	1 January 2019
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.	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
The *Annual Improvements* include amendments to four Standards.	
IAS 12 *Income Taxes*	1 January 2019
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.	
IAS 23 *Borrowing costs*	1 January 2019
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.	
IFRS 3 *Business Combinations*	1 January 2019
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.	
IFRS 11 *Joint Arrangements*	1 January 2019
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.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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.	1 January 2019

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’	1 January 2020

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2022.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

When the Company 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company 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 previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-companies transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment at the acquisition date*; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3 Summary of significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Interests in joint operations

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

Where a Group undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operations, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of asset), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3 Summary of significant accounting policies (continued)

Development work in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over goods or services to its customers.

Revenue from construction contracts

The Group provides construction services to its customers. Such contracts are entered into before rendering of services begins. Under the terms of the contracts, the Group has enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost to cost method based the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs incurred are amortised over the period of service.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of contracts include all direct costs of labour, materials, depreciation of property and equipment and costs of subcontracted works, plus an appropriate portion of construction overheads and general and administrative expenses of the year allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract.

Contract assets and liabilities

The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Sale of goods

Revenue from sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery) or at the point the customer purchases the goods at the warehouse or outlet. Following delivery, the customer has full discretion over the manner of distribution and/or utilization and price to sell the goods, and has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of services

Revenue from provision of concrete pumping services is recognised upon delivery of such services.

Interest income

Interest income from a financial asset is recognsied when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliabily. Interest time is accrued on a timely basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

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

3 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation less impairment losses, if any. The cost of property, plant and equipment is their purchase cost together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of the property and equipment using the straight-line method over their estimated useful lives as follows:

	Years
Machinery and equipment	1 - 6
Motor vehicles	5
Furniture and fixtures	4
Building	15
Office equipment	3

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the asset including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment or intangible assets category and is depreciated or amortised in accordance with the Group's accounting policy.

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful lives of the intangible asset is 5 years.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3 Summary of significant accounting policies (continued)

Investment properties

Investment property, which is property, held to earn rentals and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight line method over their expected useful life of investment properties ranges from 5 years to 31 years.

The estimated useful life, residual value and depreciation method are reviewed at end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 Financial Instruments. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a Company entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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.

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

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

Inventories

Inventories consisting of materials in transit and materials at the sites of projects not used as of the end of the reporting period, are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, to settle the Group 's obligation based on past experience of the Group.

Employee benefits

An accrual is made for the estimated liability for employees’ entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

A provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees’ period of service.

3 Summary of significant accounting policies (continued)

Leases

Policy applicable from 1 January 2019 on adoption of IFRS 16

<u>*The Group as a lessee*</u>

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3 Summary of significant accounting policies (continued)

Leases (continued)

Policy applicable from 1 January 2019 on adoption of IFRS 16 (continued)

The Group as a lessee (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

3 Summary of significant accounting policies (continued)

Leases (continued)

Policy applicable before 1 January 2019 under IAS 17

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

The Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Foreign currencies

For the purpose of these consolidated financial statements, the U.A.E. Dirhams (AED) is the functional and presentation currency of the Group.

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

Exchange differences are recognised in profit or loss in the period in which they arise.

3 Summary of significant accounting policies (continued)

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- 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 financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Debt instrument designated at other comprehensive income (continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, 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.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if 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-month 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 reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

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 reporting date 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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Significant increase in credit risk (continued)

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
- 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.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

<u>Write-off policy</u>

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iv) Measurement and recognition of expected credit losses

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; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL

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

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

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

Financial liabilities measured subsequently at amortised cost

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgment in applying accounting policies

The following critical judgment, apart from those involving estimations in note 4.2 below, has been made by management in the process of applying the Group's accounting policies and has the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Capitalisation of costs

Management determines whether the Group will recognise an asset from the costs incurred to fulfil a contract and costs incurred to obtain a contract if the costs meet all the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

Such asset will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.1 Critical judgment in applying accounting policies (continued)

Contract claims

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Capitalisation of costs

Management determines whether the Group will recognise an asset from the costs incurred to fulfil a contract and costs incurred to obtain a contract if the costs meet all the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property plant and equipment and property held for resale. In making its judgment, 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.

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

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.1 Critical judgment in applying accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how Groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Contributed capital

In the process of classifying a financial instrument, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. In making its judgment, management considered the detail criteria and related guidance for the classification of financial instruments as set out in IAS 32, in particular, whether the instrument includes a contractual obligation to deliver cash or another financial asset to another entity and whether it may be settled in the Group's own equity instrument. Based on the criteria, management has concluded that contributed capital is the part of the equity.

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed as follows:

Percentage-of-completion

The Group uses the input method to recognise revenue on the basis of entity's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs).

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 claims 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. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Useful lives and residual values of property and equipment and intangible asset

Management reviews the estimated useful lives and residual values of property and equipment and intangible asset at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. Management determined that current year expectations do not differ from previous estimates based on its review.

Impairment of investment in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in associates.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group uses estimates for the computation of loss rates. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the allowance for doubtful trade receivables, retention receivables, contract assets and due from related parties (including loan to a related party) is AED 106,751,855 (2018: AED 112,847,805), AED 45,622,222 (2018: AED 49,095,577), AED 15,809,223 (2018: AED 8,830,741) and AED 87,906,519 (2018: AED 108,359,266) respectively as on 31 December 2019.

Depreciation of asset over the life of the project

In determining the depreciation charge over the useful lives of assets which are acquired with specific requirements of the project and are utilised on those projects, management has considered the principles of IAS 16 *Property, Plant and Equipment*. On that basis, management has considered the capability of these assets to operate in the manner intended by the project team and management. Based on such assessment, management believes that these assets are acquired specifically for the relevant projects and accordingly, those assets are depreciated over the life of the projects. Remaining estimated useful lives and residual values of property and equipment are reassessed at the end of project in accordance with IAS 16 *Property, Plant and Equipment*.

Allowance for slow moving and obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their ageing and accordingly different proportions of the value of each category are recognised as a provision for impaired inventory. Allowance for slow moving and obsolete inventories at 31 December 2019 is AED 6,204,204 (2018: AED 8,265,610).

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

5 Property and equipment

	Buildings AED	Machinery and equipment AED	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2018	215,279,165	528,553,359	139,972,420	12,460,033	5,220,592	462,800	901,948,369
Additions	477,795	67,507,055	31,151,686	724,637	742,577	18,172,907	118,776,657
Assets transferred on transfer of subsidiary	(187,697,198)	(58,995,029)	(7,674,857)	-	-	(462,800)	(254,829,884)
Arising from acquisitions of subsidiaries						-	-
under common control transactions (note 29)	204,087,069	273,752,815	103,641,343	10,197,747	18,835,742	14,489,458	625,004,174
Disposals	-	(4,412,051)	(2,922,970)	-	-	-	(7,335,021)
Transfers	1,461,989	8,857,812	458,352	-	184,266	(10,962,419)	-
At 1 January 2019	233,608,820	815,263,961	264,612,374	23,378,717	24,805,223	22,162,746	1,383,564,295
Additions	1,527,269	40,545,120	9,224,833	8,209,754	626,051	25,644,845	85,777,872
Disposals	-	(4,909,801)	(3,471,447)	-	(1,625)	-	(8,382,873)
Transfers	151,552	11,023,069	232,000	-	111,049	(11,517,670)	-
At 31 December 2019	**235,287,641**	**861,654,803**	**270,597,760**	**31,588,471**	**25,540,698**	**36,289,921**	**1,460,959,294**
Accumulated depreciation							
At 1 January 2018	39,805,167	352,807,790	76,330,753	10,238,774	4,920,553	-	484,103,037
Assets transferred on transfer of subsidiary	(29,257,501)	(12,940,898)	(5,338,312)	-	-	-	(47,536,711)
Arising from acquisitions of subsidiaries							
under common control transactions (note 29)	100,467,122	160,674,789	77,194,841	10,188,047	17,693,057	-	366,217,856
Charge for the year	10,497,938	52,792,414	24,907,389	1,321,744	821,900	-	90,341,385
Eliminated on disposals	-	(4,014,660)	(2,660,609)	(3,700)	-	-	(6,678,969)
At 1 January 2019	121,512,726	549,319,435	170,434,062	21,744,865	23,435,510	-	886,446,598
Charge for the year	11,893,670	58,474,257	24,006,587	6,268,026	572,668	-	101,215,208
Eliminated on disposals	-	(1,474,000)	(3,058,594)	-	(1,625)	-	(4,534,219)
At 31 December 2019	**133,406,396**	**606,319,692**	**191,382,054**	**28,012,890**	**24,006,553**	**-**	**983,127,585**
Carrying amount							
At 31 December 2019	**101,881,245**	**255,335,111**	**79,215,706**	**3,575,581**	**1,534,145**	**36,289,921**	**477,831,709**
At 31 December 2018	112,096,094	265,944,526	94,178,312	1,633,852	1,369,713	22,162,746	497,117,697

Capital work in progress represents assets clearing account in which additions are capitalized and then transferred to relevant categories.

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

6 Intangible asset

	Computer software AED
Cost	
At 1 January 2018	3,617,292
Assets transferred on assignment of subsidiaries (note 30)	(1,392,172)
Acquisition of subsidiaries under common control transaction (note 29)	4,538,290
Additions	446,786
Written off	(363,089)
At 1 January 2019	6,847,107
Additions	25,250
At 31 December 2019	**6,872,358**
Accumulated amortization	
At 1 January 2018	2,404,699
Assets transferred on assignment of subsidiaries (note 30)	(925,061)
Acquisition of subsidiaries under common control transaction (note 29)	4,278,238
Charge for the year	538,319
Written off	(332,833)
At 1 January 2019	5,963,362
Charge for the year	444,925
At 31 December 2019	**6,408,288**
Carrying amount	
At 31 December 2019	**464,070**
At 31 December 2018	883,745

7 Investment properties

	AED
Cost	
At 1 January 2018	124,542,327
Additions during the year	2,663,991
At 31 December 2018	127,206,318
Transfer (note 10)	139,508,537
Additions during the year	2,223,474
	268,938,329
Accumulated depreciation	
At 1 January 2018	-
Charge for the year	4,985,643
At 31 December 2019	4,985,643
Charge for the year	10,127,138
At 31 December 2019	**15,112,781**
Carrying amount	
At 31 December 2019	**253,825,548**
At 31 December 2018	122,220,675

Investment properties include:

- a residential and hospitality property located in Erbil, Iraq. In 2018, the property was delivered and available to earn rentals and accordingly depreciation and rental income are recognised during the current and prior year.
- a hotel & retail building at Grozny, Chechnya. In 2019, the hotel was available to earn rentals and accordingly depreciated during the current year.

The valuation was determined by reference to straight capitalisation approach (investment method) having regard to market rental potential and transactional evidence, as well as general market knowledge of such investments in the local market. The fair value of investment properties was estimated as equal to its carrying value. Investment property was classified as level 3 in the fair value hierarchy. No external independent valuation has been performed for the investment property as at 31 December 2019 and 2018. Management believes that the carrying amount is representative for the fair value at the end of the reporting period and is within level 3 of fair value hierarchy.

The property rental income earned by the Group from its investment properties amounted to AED 16.9 million (2018: AED 17.7 million) and incurred cost of in respect of investment property of AED 13.4 million (2018: AED 10.5 million).

8 Investment in associates

	2019 AED	2018 AED
At 1 January	**12,201,189**	8,101,752
Deficit on initial recognition	**-**	(1,084,489)
Share of profit for the year	**143,636**	6,353,926
Dividends received	**(8,252,419)**	(1,170,000)
At 31 December	**4,092,406**	12,201,189

All of the below associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3. Details of the Group's associates at the statement of financial position date are as follows:

Name of associates	**Proportion of ownership interest and voting power held 2019**	2018	**Place of registration and operation**	**Principal activities**
Century Real Estate Management LLC	**18%**	18%	U.A.E.	Management of labour camps and accommodation, real estate enterprise investment, development institution and management.
Abu Dhabi Mountain Gate Property Investment LLC	**18%**	18%	U.A.E.	Real estate enterprise investment, development, institution and management.
Al Jazira Technical Solutions & Consulting LLC *	**35%**	35%	U.A.E.	Consulting in computer device and equipment domain, Wholesale of Computer Outfit And Data Processing Trading Wholesale of Computers And Outfit Trading.

* Group acquired significant influence of above Al Jazira Technical Solutions & Consulting LLC during 2018 and accordingly accounted for the investment in associate using equity method of accounting effective from 1 January 2018.

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

8 Investment in associates (continued)

Latest available financial information in respect of the Group's associates are summarised below:

	2019 AED	2018 AED
Non-current assets	**2,958,016**	4,978,033
Current assets	**30,560,215**	62,895,610
Total assets	**33,518,231**	67,873,643
Non-current liabilities	**1,092,190**	1,133,172
Current liabilities	**15,905,125**	26,894,189
Total liabilities	**16,997,315**	28,027,361
Net assets	**16,520,916**	39,846,282
Group's share of net assets	**4,092,406**	12,201,189

The share in profit of associates has been recognised as follows:

	2019 AED	2018 AED
Revenue	**43,915,455**	94,282,442
Profit for the year	**5,300,005**	27,400,230
Group's share of profit for the year	**143,636**	6,353,925

9 Inventories

	2019 AED	2018 AED
Material and other consumables	**116,295,221**	98,157,028
Stock in central stores	**25,211,399**	24,089,161
Less: allowances for inventory obsolescence	**(6,204,204)**	(8,265,610)
	135,302,416	113,980,579

9 Inventories (continued)

The movement in the allowance for stock obsolescence during the current and prior years is as follows:

	2019 AED	2018 AED
At 1 January	**8,265,610**	1,490,930
Acquisition of subsidiaries under common control transaction (note 29)	**-**	5,297,017
Charge for the year	**(2,061,406)**	1,477,663
At 31 December	**6,204,204**	8,265,610

10 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	**744,462,316**	482,832,063
Less: impairment loss allowance	**(106,751,855)**	(112,847,805)
Net trade receivables	**637,710,461**	369,984,258
Retention receivables	**824,555,124**	1,003,437,295
Less: impairment loss allowance	**(45,622,222)**	(49,097,577)
Net retention receivable	**778,932,902**	954,339,718
Advances to suppliers	**128,057,042**	102,305,918
Less: impairment loss allowance	**(1,798,180)**	-
Net advances to suppliers	**126,258,862**	102,305,918
Prepayments	**39,297,196**	42,664,672
Other receivables*	**96,835,809**	238,351,043
	1,679,035,230	1,707,645,609

*As on 31 December 2018, other receivables included cost of property of AED 139.5 million which is constructed abroad at Grozny, Chechnya. These costs was rechargeable and management had ascertained that as outcome of these rechargeable cost cannot be estimated reliably therefore these cost incurred were recognized as other receivables as at 31 December 2018. In 2019, the property was available for use and accordingly transferred to investment properties (note 7).

The average credit period on rendering of services is 30 days. No interest is charged on trade and other receivables. Before accepting any new customer, the Group assesses the potential credit quality of the customer.

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

10 Trade and other receivables (continued)

Before accepting any new customer, the Group assesses the potential credit quality of this customer. Out of the trade receivables balance at the end of the reporting period, AED 295 million (2018: AED 198 million) representing 40% (2018: 41%) of the trade receivables are due from the five (2018: five) major customers of the Group.

The Group measures the provision for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and retention receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	**Individually assessed AED**	**Total AED**
Trade receivables			
At 1 January 2018	52,330,737	36,593,731	**52,330,737**
Arising on acquisition of subsidiaries under common control transactions (note 29)	50,854,670	-	**50,854,670**
Net re-measurement of loss allowance	1,219,496	8,442,902	**9,662,398**
At 1 January 2019	67,811,172	45,036,633	**112,847,805**
Net re-measurement of loss allowance	(11,112,370)	5,016,420	**(6,095,950)**
At 31 December 2019	56,698,802	50,053,053	**106,751,855**
Retention receivables			
At 1 January 2018	2,669,187	1,986,274	**4,655,461**
Arising on acquisition of subsidiaries under common control transactions (note 29)	35,562,209	-	**35,562,209**
Net re-measurement of loss allowance	7,760,277	1,119,630	**8,879,907**
At 1 January 2019	45,991,673	3,105,904	**49,097,577**
Net re-measurement of loss allowance	(11,912,032)	8,436,677	**(3,475,355)**
At 31 December 2019	34,079,641	11,542,581	**45,622,222**
Advances to suppliers			
At 1 January 2018 and 2019	-	-	-
Net re-measurement of loss allowance	-	1,798,180	**1,798,180**
At 31 December 2019	**-**	1,798,180	**1,798,180**

11 Contract assets

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

	2019	2018
	AED	AED
Contract assets		
Contract assets – third parties	**838,563,185**	672,245,669
Contract assets – related parties (note 14)	**173,940,606**	269,235,435
Less: impairment loss	**(15,809,223)**	(8,830,741)
	996,694,568	932,650,363

Management of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry.

The following table shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9:

	Collectively assessed AED	**Individually Assessed AED**	**Total AED**
Balance as at 1 January 2018	1,784,293	-	**1,784,293**
Net re-measurement of loss allowance	7,046,448	-	**7,046,448**
Balance as at 1 January 2019	8,830,741	**-**	**8,830,741**
Net re-measurement of loss allowance	(1,336,295)	8,314,777	**6,978,482**
Balance as at 31 December 2019	7,494,446	8,314,777	**15,809,223**

All of the contract assets are current as on 31 December 2019 and 2018.

12 Leases

Right of use asset

The recognised right-of-use asset relate to following;

i. a plot of land in Dubai, leased for a period of 3 year commencing from January 2019,
ii. two plots of land in Abu Dhabi Zone Corporation for a periods of 30 years and 18 years commencing from October 2007 and July 2018 respectively,
iii. a plot of land in Reem Island Abu Dhabi, for a period of 5 years commencing from July 2017,
iv. a plot of land in Yas Island, Abu Dhabi, for a period of 5 years commencing from November 2017, and
v. a plot of land in DIC, for a period of 30 years commencing from October 2016.

The associated right-of-use asset was measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use asset at the date of initial application. The movement in right of use asset during the year is as follows:

	2019
	AED
At 1 January (on initial application of IFRS 16)	**74,517,549**
Addition during the year	**12,003,579**
Amortisation for the year	**(7,155,174)**
At 31 December	**79,365,954**

Lease liabilities

Movement of lease liability during the year ended 31 December 2019 is as follows:

	2019
	AED
At 1 January	**74,517,549**
Add: Additions	**12,003,579**
Less: payment of lease liabilities	**(7,771,153)**
At 31 December	**78,749,975**

Lease liabilities as of 31 December 2019 is presented in the statement of financial position as follows:

	2019
	AED
Amounts due for settlement within 12 months	**7,554,918**
Amounts due for settlement after 12 months	**71,195,057**
	78,749,975

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

12 Leases (continued)

Lease liabilities (continued)

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's treasury function.

Amounts recognised in statement of profit and loss and other comprehensive income during the year is as follows:

	2019 AED
Amortization on right-of-use assets	**7,155,174**
Finance cost of lease liabilities	**1,930,415**
	9,085,589

13 Cash and cash equivalents

	2019 AED	2018 AED
Cash in hand	**8,691,409**	8,013,530
Cash at bank	**606,908,839**	595,806,662
Short term deposit	**24,864,733**	6,192,308
	640,464,981	610,012,500
Less: Impairment loss allowance	**(5,393)**	(5,662)
	640,459,588	610,006,838
Less: bank overdrafts (note 19)	**(229,618,042)**	(246,966,740)
Less: short term deposit having maturity more than three months	**(23,483,400)**	(20,590,721)
Cash and cash equivalents	**387,358,146**	342,449,377

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

13 Cash and cash equivalents (continued)

Fixed deposits are held by the banks are restricted deposits for issuance of letters of guarantee and are not available for day to day operations of the Group. Interest is earned on these deposits carries interest ranges from 0.65% to 2% (2018: 0.65% to 2%).

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

14 Related parties

Related parties are the Shareholders, key management and the entities in which the Shareholders have the ability to control or exercise significant influence in the operating and financial decisions. The Group maintains balances with the related parties that arise from commercial transactions at agreed rates between related parties as follows:

	2019 **AED**	2018 AED
Due from related parties:		
Al Tamouh Investments Company LLC	**181,385,169**	303,684,522
Royal Group Holding LLC	**65,000,000**	5,000,000
Hydra Properties LLC	**45,915,296**	45,821,797
Al Ajban Poultry Farms LLC	**42,635,684**	135,842,603
TSL Properties	**31,027,759**	21,800,000
Royal Development Company LLC	**29,865,212**	36,838,523
Tafseer Contracting and Gen.Maint. CO. LLC	**19,906,725**	19,906,725
Pal Technology Services LLC	**18,574,352**	20,732,736
Hareb Hashel Saleem Hashe	**12,383,783**	12,883,783
Royal Group Companies Management	**7,838,895**	3,629,171
Crown Prince Court	**3,379,140**	3,379,140
Barari Forest Management LLC	**3,366,058**	2,361,683
Royal Technology Solution LLC	**2,788,090**	1,092,238
Beijing Construction Engineering	**1,200,000**	1,200,000
Gulf Dunes Landscaping and Agricultural Services LLC	**610,404**	1,758,180
Royal Group Holding LLC	-	12,143,243
Reem Developers LLC	-	2,892,732
Mohamed Ali Khalaf Jasem	-	472,362
NPC - BCEG JV	-	233,817
Others	**509,148**	896,873
	466,385,715	632,570,128
Less: impairment loss allowance	**(87,906,519)**	(103,118,622)
	378,479,196	529,451,506

14 Related parties (continued)

The following table shows the movement in lifetime ECL that has been recognised for due from related parties in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	Individually Assessed AED	Total AED
Balance as at 1 January 2018	4,766,631	31,727,851	**36,494,482**
Arising on acquisition of subsidiaries under common control transactions (note 29)	23,972	34,927,846	**34,951,818**
Net re-measurement of loss allowance	(418,479)	32,090,801	**31,672,322**
Balance as at 1 January 2019	4,372,124	98,746,498	**103,118,622**
Net re-measurement of loss allowance	(662,200)	(14,549,903)	**(15,212,103)**
Balance as at 31 December 2019	**3,709,924**	**84,196,595**	**87,906,519**

	2019 AED	2018 AED
Due to related parties:		
Office of HH Sheikh Tahnoon	**6,238,344**	3,044,496
Royal Group Holding LLC	**3,959,725**	785,310
H2O Interior Design LLC	**714,317**	1,682,568
Multiply Marketing Consultancy	**313,950**	-
Al Jaraf Travel Tourism and Logistics	**192,064**	-
Zee Stores	**95,150**	1,247,968
Royal Advance Technology Solutions	-	741,254
Royal Architectural Project Management	-	529,307
Ajban Fodder LLC	-	150,000
Others	-	18,032,691
	11,513,550	26,213,594
Loan from a related party	**18,750,295**	18,085,213

Loan from a related party represents loan provided by Royal Group to finance the working capital requirements of the Group. Loan is subject to interest at the rate of 7.19% per annum (2018: 7.89% per annum).

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

14 Related parties (continued)

	2019 AED	2018 AED
Loan to a related party:		
Al Shurfa Real Estate Investments LLC	**5,240,644**	5,240,644
Less: impairment allowance	**(5,240,644)**	(5,240,644)
	-	-
Contract assets (note 11)	**173,940,606**	269,235,435
Contract liabilities – amounts related to construction contracts (note 21)	**3,518,103**	8,502,869

The loan to Al Shurfa Real Estate Investments LLC carries interest at the rate of 2% plus EIBOR on the amount outstanding.

The following table shows the movement in lifetime ECL that has been recognised for due from related parties in accordance with the simplified approach set out in IFRS 9;

	Collectively assessed AED	Individually Assessed AED	Total AED
Balance as at 1 January 2018	-	-	-
Net re-measurement of loss allowance	-	5,240,644	**5,240,644**
Balance as at 1 January 2019	-	5,240,644	**5,240,644**
Net re-measurement of loss allowance	-	-	-
Balance as at 31 December 2019	**-**	**5,240,644**	**5,240,644**

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

14 Related parties (continued)

Significant transactions with related parties during the year comprise:

	2019 AED	2018 AED
Management and remuneration fees	**18,108,909**	17,341,769
Revenue from contracts	**41,030,275**	285,328,684
Subcontracting costs/expenses	**8,256,215**	10,429,506
General and administration expenses/staff costs	**75,390,714**	75,329,230
Netting off of advances against due to related parties (note 17)	**20,000,000**	-

Revenue generated from related parties and purchases of goods and services are based on terms and conditions as agreed between the parties.

15 Share capital

The share capital of the Company comprises of 1,000 ordinary shares with par value of AED 300 each.

	31 December 2019 and 2018	
	No. of Shares	**Value AED**
Royal Group Holding LLC	999	299,700
Royal Group Companies Management LLC	1	300
	1,000	**300,000**

16 Statutory reserve and restricted reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of the Group's net profit is transferred to a non-distributable statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution.

The statutory reserves of the subsidiaries have been transferred to the restricted reserve and this amount is not available for distribution.

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

17 Contributed capital

	2019 AED	2018 AED
Contributed capital	**357,610,312**	234,335,312

In prior years, in accordance with a shareholders resolution, the Group converted a balance amounting to AED 6.03 million, which was due to the ultimate beneficial owner ("the Owner") of the Group, into contributed capital.

In 2018, a land was transferred by the Owner of Royal Group LLC, ultimate parent company, to the Group. The land was recorded as development work in progress and treated as an asset contribution towards the Group and accordingly recorded as contributed capital of AED 144.5 million (refer note 23).

Also in 2018, contributed capital of AED 83.8 million (refer note 29) on acquisition on subsidiaries under common control was recorded which was given to the Group by the Ultimate Owner.

In 2019, in accordance with a shareholders resolution, the Group converted an additional balance amounting to AED 143.27 million, which was given to the Group by the Ultimate Owner into contributed capital.

Further in 2019, as per the instruction from Royal Group advance of AED 20 million received in 2013, was netted off against due to related parties balance (note 14).

Under the terms of the arrangement with the Owner, there is no obligation on the Group to repay these amounts under any circumstances and any repayment entirely at the discretion of the Group. In addition, the terms of the agreement specify that, on dissolution of the Group, the rights, benefits and obligations in the residual net asset and liabilities, attached to the contributed capital, shall rank pari pasu with those attached to the share capital of the Group. Therefore, these contributed capital are more akin to equity instrument rather than liabilities, and accordingly are presented within equity.

18 Provision for employees' end of service benefit

	2019 AED	2018 AED
At 1 January	**95,556,829**	63,162,424
Arising on acquisition of subsidiaries under common control transaction (note 29)	-	15,562,322
Charge for the year	**22,756,334**	25,218,115
Paid during the year	**(10,679,620)**	(8,386,032)
At 31 December	**107,633,543**	95,556,829

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

19 Bank overdraft

	2019 AED	2018 AED
Bank overdraft	**229,618,042**	246,966,740

Bank overdraft facilities were availed from various banks. In prior year, bank overdraft facilities were obtained from local banks which are secured by approved payment certificate received from projects. Bank overdrafts are payable on demand. The interest rates payable on bank overdrafts are linked to the inter-bank lending rates.

20 Trade and other payables

	2019 AED	2018 AED
Trade payables	**579,956,312**	628,815,019
Provision for project expenses	**410,038,886**	207,116,449
Retentions payable	**261,033,640**	315,046,225
Provision for delay penalty	**118,200,000**	118,650,000
Notes payable	**54,082,443**	69,325,225
Provision for project estimated losses	**28,203,706**	4,834,611
Accruals and other payables	**663,812,903**	873,353,761
	2,115,327,890	2,217,141,290

The average credit period on purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade and other payables.

Movement in provision for delay penalties during the years is as follows:

	2019 AED	2018 AED
At 1 January	**118,650,000**	62,150,000
(Reversal)/charge for the year	**(450,000)**	56,500,000
At 31 December	**118,200,000**	118,650,000

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

20 Trade and other payables (continued)

Movement in provision for project estimated losses during the years is as follows:

	2019 AED	2018 AED
At 1 January	**4,834,611**	8,293,386
Charge for the year	**28,203,706**	5,927,669
Reversal during the year	**(4,834,611)**	(9,386,444)
At 31 December	**28,203,706**	4,834,611

21 Contract liabilities

	2019 AED	2018 AED
Amounts related to construction contracts (i)	**140,363,706**	209,278,188
Amounts received in advances from customers (ii)	**547,091,145**	538,400,948
	687,454,851	747,679,136

(i) Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the input method.

(ii) Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer paid for the goods before the promised goods and service provided to the customer, the transaction price received the Group is recognised as contract liability until the control of promised goods and services transferred to the customer.

Allocation of amounts related to construction contracts is as under:

	2019 AED	2018 AED
Amounts related to construction contracts		
- current	**140,363,706**	209,278,188
- non-current	**-**	-
	140,363,706	209,278,188

21 Contract liabilities (continued)

Amounts related to construction contracts from external customers and related parties as on yearend are as under;

	2019	2018
	AED	AED
Amounts related to construction contracts		
- third parties	**136,845,603**	200,775,319
- related parties (note 14)	**3,518,103**	8,502,869
	140,363,706	209,278,188

22 Bank borrowings

Bank borrowings included in the statement of financial position comprise the following:

	2019	2018
	AED	AED
Term loan facility	**151,299,827**	218,195,102
Islamic financing facilities	**-**	843,859
Conventional financing facility	**16,702,930**	20,799,882
Other facilities	**150,613,000**	174,613,000
	318,615,757	414,451,843
Allocation of bank borrowings is as under;		
Non-current	**143,315,930**	172,257,704
Current	**175,299,827**	242,194,139
	318,615,757	414,451,843

Term loan facility

In prior years, the Group obtained two term loan facilities from a commercial bank in Abu Dhabi, United Arab Emirates. The facilities carries interest at prevailing market rates ranges from 2% to 3% plus 6 months EIBOR.

- The first loan of AED 55.3 million is repayable in various instalments with no fixed maturity date, and the same will be settled from the retention proceeds of the specific projects for which this loan was obtained.
- The second loan of AED 96 million is repayable in fixed instalments on quarterly basis and final maturity of the remaining balance will be due on December 2023.

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

22 Bank borrowings (continued)

The term loans are secured by irrecoverable corporate guarantees from the Shareholders and irrecoverable assignment of project proceeds.

Conventional financing facilities

During the current and prior year, Group obtained several heavy equipment loans for purchase of vehicles. The total facility amount is repayable within 36 months at agreed profit. All vehicles purchased under the Conventional financing facilities are pledged in favour of the bank.

Other facilities

During September 2018, both loans renegotiated with the bank and rescheduled with the remaining principal amount i.e. 174,613,000 and payable in quarterly installments of AED 6 million each commencing 31 December 2018 with final settlement due on 30 September 2023 with remaining balance. The loan bear interest at the rate of 3 moths EIBOR plus 2.5% per annum.

23 Development work in progress

Development in work progress represents a plot of land in Sharjah, United Arab Emirates. The land is transferred by the Owner of the Royal Group LLC, ultimate parent company, to the Group on effective date 1 January 2018. Management has intentions to develop and resale the land, and accordingly this has been classified as development work in progress.

Above transfer of land is made as an asset contribution towards the Group and recorded as contributed capital of AED 144.5 million (refer note 17).

24 Revenue

The Group derives its revenue from contracts with customers in respect of construction contracts overtime and sales of goods at point in time as follow:

	2019 **AED**	2018 AED
Disaggregation of revenue – over time		
Construction contracts	**3,467,867,185**	3,720,963,006
Disaggregation of revenue – point in time		
Sales of goods	**237,814,548**	209,611,979
	3,705,681,733	3,930,574,985

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

24 Revenue (continued)

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2019 and 2018 are as set out below.

	2019	2018
	AED	AED
Construction contracts - unsatisfied performance obligations	**10,330,546,140**	7,716,162,380

25 Direct costs

	2019	2018
	AED	AED
Material costs	**1,146,450,695**	1,370,997,981
Subcontractor costs	**993,692,685**	1,014,324,924
Staff costs	**658,083,244**	641,356,675
Depreciation of property, plant and equipment (note 5)	**95,236,956**	85,405,004
Amortization of right of use asset	**5,683,630**	-
Delay penalty	-	56,500,000
Provision for project expense, net	-	5,927,669
Amortisation of intangible assets	**132,134**	120,258
Other direct costs	**430,229,766**	323,489,774
	3,329,509,110	3,498,122,285

26 General and administrative expenses

	2019	2018
	AED	AED
Staff costs	**86,029,958**	90,692,873
Management fee	**18,917,257**	18,038,296
Depreciation of property, plant and equipment (note 5)	**5,978,252**	4,936,380
Utilities- Fuel for vehicles	**2,520,917**	2,820,422
Maintenance	**1,958,255**	2,929,661
Advertising expenses	**-**	14,341
Amortisation of intangible assets	**312,791**	387,284
Amortisation of right of use asset	**1,471,544**	-
Others	**52,788,282**	52,027,626
	169,977,256	171,846,883

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

27 Other income

	2019 AED	2018 AED
Scrap sales	**6,694,090**	7,695,770
Investment income, net	**5,921,617**	7,121,949
Gain on sale of property, plant and equipment	**1,040,325**	1,982,313
Hiring income	-	870,320
Others	**6,668,330**	6,938,267
	20,324,362	24,608,619

28 Contingent liabilities

	2019 AED	2018 AED
Bank guarantees	**3,305,478,177**	3,064,204,581
Letters of credit	**61,083,367**	90,766,630

The above bank guarantees and letters of credit are issued in the normal course of business.

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

29 Acquisition of subsidiaries under common control transaction

29.1 Subsidiaries acquired

Details of the subsidiaries acquired under common control transactions during 2018 are as follows:

Name of subsidiary	Date of Acquisition	Proportion of voting equity interest acquired %	Principal activity
Phoenix Timber Factory LLC	1 January 2018	99%	Timber products
Reem Ready Mix LLC	1 January 2018	60%	Building projects contracting
Reem Emirates Aluminium LLC	1 January 2018	99%	Aluminum products
Hi-Tech Emirates for General Contracting	1 January 2018	99%	Building projects contracting
Hi-Tech Line Building Construction – Dubai	1 January 2018	100%	Building projects contracting
Ersa General Contracting LLC	1 January 2018	99%	Building projects contracting
Swiss Chocolate Co LLC	1 January 2018	99%	Chocolate trading
Hi Tech Concrete Products LLC	1 January 2018	100%	Civil construction

29.2 Consideration

	2018 AED
Consideration	1,350,000

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

29 Acquisition of subsidiaries under common control (continued)

1 January 2018

	Trojan Property Investments LLC AED	Phoenix Timber Factory LLC AED	Reem Ready Mix LLC AED	Reem Emirates Aluminium LLC AED	Hi-Tech Emirates For General Contracting AED	Hi-Tech Line Building Construction – Dubai AED	Ersa General Contracting LLC AED	Hi-Tech Concrete Products LLC AED	Swiss Chocolate Co LLC AED	Total AED
Consideration (A)	300,000	-	-	-	300,000	300,000	300,000	-	150,000	**1,350,000**
Assets acquired and liabilities recognised at the date of the acquisition										
Non-current assets										
Property and equipment	-	2,586,361	58,369,937	95,417,994	-	-	-	102,412,026	-	**258,786,318**
Intangible assets	-	-	75,155	184,897	-	-	-	-	-	**260,052**
Current assets										
Inventories	-	2,034,240	10,973,300	15,578,012	-	-	-	36,568,258	-	**65,153,810**
Trade and other receivables	-	20,391,809	66,012,191	136,199,445	-	-	-	133,260,382	-	**355,863,827**
Contract assets	-	36,096,081	-	92,545,632	-	-	-	87,504,909	-	**216,146,622**
Due from related parties	300,000	3,312,535	16,569,135	2,846,097	300,000	300,000	300,000	11,253,690	150,000	**35,331,457**
Cash and cash equivalents	-	2,032,432	4,206,762	5,154,106	-	-	-	7,165,078	-	**18,558,378**
Non-current liabilities										
Loan from a related party	-	-	-	17,516,430	-	-	-	-	-	**17,516,430**
End of service benefit	-	1,025,257	2,443,951	8,003,207	-	-	-	4,089,907	-	**15,562,322**
Current liabilities										
Bank overdraft	-	-	7,089,535	-	-	-	-	-	-	**7,089,535**
Borrowings	-	-	-	216,613,000	-	-	-	-	-	**216,613,000**
Due to related parties	-	60,486,406	6,026,893	457,617,782	-	-	-	216,237,227	-	**740,368,308**
Contract liabilities	-	1,574,742	-	72,351,704	-	-	-	21,033,635	-	**94,960,081**
Trade and other payables	-	45,286,140	47,219,053	146,800,622	-	-	-	228,937,834	-	**468,243,649**

29 Acquisition of subsidiaries under common control (continued)

1 January 2018 (continued)

	Trojan Property Investments LLC AED	Phoenix Timber Factory LLC AED	Reem Ready Mix LLC AED	Reem Emirates Aluminium LLC AED	Hi-Tech Emirates For General Contracting AED	Hi-Tech Line Building Construction – Dubai AED	Ersa General Contracting LLC AED	Hi-Tech Concrete Products LLC AED	Swiss Chocolate Co LLC AED	Total AED
Net assets at the date of acquisition	300,000	(41,919,087)	93,427,048	(570,976,562)	300,000	300,000	300,000	(92,134,260)	150,000	**(610,252,861)**
Less: Net assets attributable to Non-Controlling interest										**(37,370,819)**
Net assets attributable to owners (B)										**(647,623,680)**
Net deficit arising on acquisition of subsidiaries under common control (A-B)										**(648,973,680)**
Allocated as										
Contributed capital										**83,807,512**
Retained earnings										**(732,781,192)**
										(648,973,680)

* Trojan Holding LLC hold 50.91% shares in National Projects and Construction LLC (NPC), however remaining shareholders have assigned their rights in favor of the Company and accordingly the effective holding of the Company in NPC is 99.99%.

29 Acquisition of subsidiaries under common control (continued)

29.2 Net cash inflow on acquisition of subsidiaries under common control

	2018 AED
Cash paid	-
Less: Cash and cash equivalent balance acquired	11,468,843
Net cash inflow on acquisition of subsidiaries under common control	**11,468,843**

30 Disposal of partial investment in subsidiaries

Effective 1 January 2018, the Company has transferred its remaining ownership interest in Al Ajban Poultry LLC and Al Ajban Fodders Factory LLC to the Royal Group (the "ultimate parent"). Summarised financial position of Al Ajban Poultry LLC and Al Ajban Fodders Factory LLC as on the date of transfer is as under:

	2018 AED
Non-current assets	
Property, plant and equipment	**207,293,171**
Intangible assets	**467,111**
Current assets	
Inventories	**27,753,321**
Trade and other receivables	**21,067,061**
Due from a related party	**2,061,105**
Biological assets	**5,364,149**
Advances, deposits and prepayments	**1,779,839**
Cash and bank balances	**9,375,883**
Non-current liabilities	
Provision for employees end of service benefits	**669,603**
Management fees	**124,841**
Current liabilities	
Bank borrowings	**10,000,015**
Trade and other payables	**13,407,808**
Deferred income	**596,301**
Due to related parties	**132,184,827**
Net asset on transfer of interest in subsidiaries under common control transactions	**118,178,245**
Allocated to:	
- Owner of the Group	**59,089,123**
- Non-controlling interest	**59,089,123**
	118,178,245

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

31 Material non-controlling interests

Summarised financial information of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	Reem Ready mix	
	2019	**2018**
	AED	**AED**
Current Assets	**145,558,653**	121,507,484
Non-current assets	**64,001,850**	57,098,235
Current liabilities	**112,352,601**	83,594,495
Non-current liabilities	**5,750,479**	2,861,433
Net equity	**91,457,423**	92,149,791
Revenue	**193,942,307**	189,599,046
Expenses	**(194,634,675)**	(185,452,414)
(Loss)/profit for the year	**(692,368)**	4,146,632
Total comprehensive (loss)/income for the year	**(692,368)**	4,146,632
Net cash inflow from operating activities	**9,758,094**	13,469,388
Net cash outflow from investing activities	**(14,788,736)**	(10,678,863)
Net cash outflow from financing activity	**(2,011,062)**	(536,180)
Net cash (outflow)/inflow	**(7,041,704)**	2,024,955

32 Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

Financial risk management objectives

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk and liquidity risk. The Group does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

The Group does not have significant exposure to foreign currency risk as all of its monetary assets and liabilities are denominated in UAE Dirhams.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise credit risk, the management develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

32 Financial instruments (continued)

Credit risk management (continued)

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2019							
Trade receivables	10	N/A	(i)	Lifetime ECL	744,462,316	(106,751,855)	637,710,461
Retention receivables	10	N/A	(i)	Lifetime ECL	824,555,124	(45,622,222)	778,932,902
Contract assets	11	N/A	(i)	Lifetime ECL	1,012,503,791	(15,809,223)	996,694,568
Due from related parties	14	N/A	(i)	12-month ECL	466,385,715	(87,906,519)	378,479,196
Bank balances	13	BB	N/A	12-month ECL	640,464,981	(5,393)	640,459,588
31 December 2018							
Trade receivables	10	N/A	(i)	Lifetime ECL	482,832,063	(112,847,805)	369,984,258
Retention receivables	10	N/A	(i)	Lifetime ECL	1,003,437,295	(49,670,048)	915,192,159
Contract assets	11	N/A	(i)	Lifetime ECL	941,481,104	(8,830,741)	932,650,363
Due from related parties	14	N/A	(i)	12-month ECL	632,570,128	(103,118,622)	529,451,506
Bank balances	13	BB	N/A	12-month ECL	610,012,500	(5,662)	610,006,838

(i) For trade receivables, retention receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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

32 Financial instruments (continued)

Credit risk management (continued)

The impairment loss allowance for trade and retention receivables as at 31 December 2019 (on adoption of IFRS 9) was determined as follows:

Trade receivables and retention receivables

	Government customers	Major Developers	Others	Individually assessed	
	Collectively assessed AED	*Collectively assessed* AED	*Collectively assessed* AED	*Individually assessed* AED	Total AED
31 December 2019					
Expected credit loss rate	**0.03%**	**0.43%**	**20.17%**	**100%**	
Trade and retention receivables	**193,254,037**	**882,944,431**	**431,223,338**	**61,595,634**	**1,569,017,440**
Less: loss allowance	**49,685**	**3,768,088**	**86,960,670**	**61,595,634**	**152,374,077**
31 December 2018					
Expected credit loss rate	0.16%	0.26%	4.64%	68.04%	
Trade and retention receivables	414,510,408	599,132,456,	255,261,019	217,365,475	1,486,269,358
Less: loss allowance	645,754	1,566,086	11,841,401	147,892,141	161,945,382

As per ECL model, the allocation of above allowances for doubtful trade receivables and retention receivables is AED 106,751,855 (2018: 112,847,805) AED and AED 45,622,222 (2018: AED 49,095,577) respectively as on year-end.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables - days past due					
	Not past due AED	31-90 AED	91-180 AED	181-365 AED	> 365 AED	Total AED
31 December 2019						
Trade receivables	**113,201,805**	**356,042,728**	**91,951,811**	**41,721,673**	**141,544,299**	**744,462,316**
31 December 2018						
Trade receivables	251,700,150	89,986,605	32,339,045	17,290,354	91,515,910	482,832,063

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

32 Financial instruments (continued)

Credit risk management (continued)

The impairment loss allowance for due from related parties as at 31 December 2019 (on adoption of IFRS 9) was determined as follows:

Due from related parties

	Collectively assessed AED	Individually assessed AED	Total AED
31 December 2019			
Expected credit loss rate	**0.97%**	**100%**	
Due from related parties	**382,189,120**	**84,196,595**	**466,385,715**
Less: loss allowance	**3,709,924**	**84,196,595**	**87,906,519**
31 December 2018			
Expected credit loss rate	0.82%	100%	
Due from related parties	533,823,630	98,746,498	632,570,128
Less: loss allowance	4,372,124	98,746,498	103,118,622

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Shareholders' team, which has built an appropriate liquidity risk management framework for the planning of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Current less than 1 year AED	Non-current greater than 1 year AED
31 December 2019		
Trade and other payables	**2,115,327,891**	-
Bank borrowings	**175,299,827**	**143,315,930**
Bank overdraft	**229,618,042**	
Due to related parties	**11,513,550**	**-**
Lease liabilities	**7,554,918**	**71,195,057**
	2,539,314,228	**214,510,987**

32 Financial instruments (continued)

Liquidity risk (continued)

	Current less than 1 year AED	**Non-current greater than 1 year AED**
31 December 2018		
Trade and other payables	2,217,141,290	-
Bank borrowings	242,194,139	172,257,704
Bank overdraft	246,966,740	-
Due to related parties	26,213,594	-
	2,732,515,763	172,257,704

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to cash flow interest rate risk on its bank overdraft at floating interest rates.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing financial instruments at the end of the reporting period. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 75 basis points more/lower throughout the year and all other variables were held constant, the Group's profit and equity for the year ended 31 December 2019 would decrease/increase by approximately AED 2,982,156 (2018: decrease/increase AED 3,651,042).

Fair value of financial assets and liabilities

Management considers that the carrying amounts of the financial assets and financial liabilities as stated in the consolidated financial statements approximate their fair values.

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

33 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's consolidated financial statements of cash flows as cash flows from financing activities.

	Bank borrowings AED	Dividend AED
Balance at 1 January 2019	**414,451,843**	-
Proceeds from bank borrowings	**6,215,721**	-
Repayment of bank borrowings	**(102,051,807)**	-
Dividend paid	-	**(25,000,000)**
Balance at 31 December 2019	**318,615,757**	**(25,000,000)**

34 Subsequent events

On 30 January 2020, following the reporting of a cluster of cases in China, the World Health Organisation (WHO) declared the outbreak of Covid-19 a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, in a number of countries across the globe. Strict measures have been taken and a number of policies have been imposed by a number of governments to contain the spread of this new virus that will have economic impact. Gradually more information has become available leading WHO to declare Covid-19 as a global pandemic on 11 March 2020.

The impact of the virus and the resulting economic impact of individual government measures and policies is a non-adjusting event. The Group's current projects and other services to customers have not been interrupted as the Group has been able to deliver these services remotely. Management have prepared and reviewed updated forecasts. Based on realistic cash projections and available cash balances to the Group should the situation continue, Management have concluded that the Group will be able to discharge its liabilities as they fall due and therefore have concluded that it remains appropriate to continue to prepare these consolidated financial statements on a going concern basis. Given the unpredictable outcome of this virus and the resulting policies for containment, the impact on the operating activities of the Group and the recoverability of its assets will continue to be assessed during the course of the coming financial year.

35 Reclassification of comparative information

Certain reclassifications have been made to the comparative figures for the year ended 31 December 2018 to comply with the current year classification. This reclassification did not have any impact on net profit or retained earnings of current or prior years.

36 Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors and authorised for issue on 21 December 2020.