AWTAD (PR.J.S.C.)

PRIVATE JOINT STOCK COMPANY

DUBAI

UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

AWTAD (PR.J.S.C.)
PRIVATE JOINT STOCK COMPANY
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2018

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Independent Auditor's Report to the Shareholders of
Awtad (Pr.J.S.C.)
Private Joint Stock Company
Dubai - United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Awtad (Pr.J.S.C)** ("**the Company**"), which comprise the statement of financial position as at 31 December 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed on the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Valuation of investments properties

The Company has estimated the fair value of the investment property to be AED. 25,100,000 as at 31 December 2018 representing 10% of its total assets (Note 5) for the year ended 31 December 2018. Valuation was obtained from independent professional real estate surveyor in order to support management's estimates. The valuation was carried out using the residual method of valuation which involves certain key assumptions that require significant management judgments.

Key audit matters (Continued)

Valuation of investments properties (Continued)

We performed the following audit procedures:

- We have evaluated the competence, capabilities and objectivity of the independent professional real estate surveyor.
- We have assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry.
- We have checked the accuracy and relevance of the input data used.

Projects under progress

The Company has projects under progress of AED. 190,001,661 representing 78% of its total assets (Note 7) which principally comprise the land held for development, project under development, which are stated at lower of cost or net realizable value. Net realizable value of the projects under progress is determined by management based on the internal assessment by taking in to consideration available internal as well as comparable market data.

We performed the following audit procedures:

- We have sample tested the cost details of the projects under progress with the supporting documents.
- We assessed the fair value calculation by the management and assessed the appropriateness of the valuation methodologies, assumptions, critical judgment areas and estimates used by the management.

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's Board of Directors Report of 2018, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

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

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

Responsibilities of Management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

As required by UAE Federal Law No. 2 of 2015 we report that :

1. We have obtained all the information and explanation we considered necessary for our audit.

2. The financial statements comply, in all material respect with the applicable provisions of UAE Federal Law No. 2 of 2015.

3. The Company has maintained proper books of account.

4. The financial information of the Director's report is in agreement with the books of account and records of the Company.

5. Transactions and terms with related parties are disclosed in Note 6.

Independent Auditor's Report to the Shareholders of Awtad (Pr.J.S.C.) (Continued)

Report on other legal and regulatory requirements (Continued)

6. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of UAE Federal Law No. 2 of 2015 or the Articles of Association of the Company which would have a material affect on the Company's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL



Ali Hasan Shalabi
Licensed Auditor No. 34
Sharjah, 6 March 2019

AWTAD (PR.J.S.C.)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

EXHIBIT A

ASSETS	Note	2018 AED	2017 AED
Non-Current Assets			
Investment properties	5	**25,100,000**	28,000,000
Due from related parties	6	**24,095,153**	24,562,007
Projects under progress	7	**190,001,661**	190,001,661
Total Non-Current Assets		**239,196,814**	242,563,668
Current Assets			
Other receivables	8	**2,705,362**	2,705,818
Cash and cash equivalents	9	**39,561**	19,252
Total Current Assets		**2,744,923**	2,725,070
TOTAL ASSETS		**241,941,737**	245,288,738
EQUITY AND LIABILITIES			
Equity			
Capital	10	**150,000,000**	150,000,000
Reserves	11	**14,164,848**	14,164,848
Retained earnings		**46,326,194**	49,824,449
Total Equity – Exhibit C		**210,491,042**	213,989,297
Non-Current Liabilities			
Retentions payable		**3,256,960**	3,256,960
Long-term loan from a related party	6	**8,374,264**	8,118,201
Total Non-Current Liabilities		**11,631,224**	11,375,161
Current Liabilities			
Accounts payable and others	12	**19,819,471**	19,924,280
TOTAL EQUITY AND LIABILITIES		**241,941,737**	245,288,738

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Majid Abdalla Juma Majid Al Sari
Chairman

Mohammad Harib Fadhel Al Mazrooei
Vice Chairman

AWTAD P.J.S.C. P.O. BOX 22588 DUBAI, UAE

AWTAD (PR.J.S.C.)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 **EXHIBIT B**

	Note	2018 AED	2017 AED
Sales		--	--
Cost of sales		--	--
Gross profit		--	--
Fair value loss on investment properties		**(2,900,000)**	--
Administrative expenses	15	**(185,891)**	(206,955)
Finance cost		**(412,364)**	(404,610)
Loss for the year - Exhibit D		**(3,498,255)**	(611,565)
Other comprehensive income		**--**	--
Total Comprehensive loss for the year - Exhibit C		**(3,498,255)**	(611,565)
Loss per share (AED per share)	16	**(2.33)**	(0.41)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AWTAD (PR.J.S.C.)

STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 31 DECEMBER 2018

EXHIBIT C

	Capital AED	Reserves AED	Retained earnings AED	Total AED
Balance at 1 January 2017	150,000,000	14,164,848	50,436,014	214,600,862
Total Comprehensive loss for the year 31 December 2017 - Exhibit B	--	--	(611,565)	(611,565)
Balance at 31 December 2017 - Exhibit A	**150,000,000**	**14,164,848**	**49,824,449**	**213,989,297**
Total Comprehensive loss for the year 31 December 2018 - Exhibit B	--	--	**(3,498,255)**	**(3,498,255)**
Balance at 31 December 2018 - Exhibit A	**150,000,000**	**14,164,848**	**46,326,194**	**210,491,042**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS

AWTAD (PR.J.S.C.)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 — **EXHIBIT D**

CASH FLOWS FROM OPERATING ACTIVITIES	2018 AED	2017 AED
Loss for the year - Exhibit B	**(3,498,255)**	(611,565)
Adjustment for:		
Fair value loss on investment properties	**2,900,000**	--
Operating Cash flows before Working Capital Changes	**(598,255)**	(611,565)
Decrease in due from related parties	**466,854**	496,956
Decrease in other receivables	**456**	5,949
(Decrease)/increase in accounts payable and others	**(104,809)**	78,110
Net Cash Used in Operating Activities	**(235,754)**	(30,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to projects under progress	--	(106,850)
Net Cash Used in Investing Activities	--	(106,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loan from a related party	**256,063**	139,000
Net Cash Provided by Financing Activities	**256,063**	139,000
Net increase in cash and cash equivalents	**20,309**	1,600
Cash and cash equivalents at beginning of the year	**19,252**	17,652
Cash and Cash Equivalents at end of year - Note 9	**39,561**	19,252

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Awtad (Pr.J.S.C.) - Dubai (referred to hereinafter as the "**Company**") is a private joint stock company operating in accordance to the ministerial decree No.90 for the year 2006 issued by the Minister of Economy on 18 February 2006.

The main activities of the Company are buying and selling of real estate.

The Company domiciled in Dubai City and its registered address is P.O. Box 22588, Dubai, United Arab Emirates.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended standards effective after 1 January 2018

The following new and revised IFRSs have been applied in the current year in these financial statements. Their adoption had no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- **IFRS 9 "Financial Instruments (effective from 1 January 2018)"**

In July 2014 IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 "Financial Instruments": "Recognition and Measurement".

The Company has adopted IFRS 9 retrospectively with a date of initial application as of 1 January 2018. The requirements of IFRS 9 represent a significant changes from IAS 39 "Financial Instruments": "Recognition and Measurement". The new standard brings fundamental changes to the accounting for the financial assets and certain aspects of the accounting for financial liabilities.

Changes in accounting policies resulting from the adoption of IFRS has not resulted any impact on the opening balance of retained earnings or equity as at 1 January 2018. Changes in accounting policies are summarized below.

Classification and Measurement of Financial Assets and Financial Liabilities

IFRS 9 contains three categories for financial assets as measured at ; amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which the financial assets are managed and its contractual cash flows.

For equity instruments IFRS 9 requires measurement of all assets at fair value and provides an irrevocable option to measure certain securities at fair value through comprehensive income (FVTOCI) rather than through profit or loss (FVTPL).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 **New and amended standards effective after 1 January 2018 (Continued)**

- **IFRS 9 "Financial Instruments (effective from 1 January 2018)" (Continued)**

Classification and Measurement of Financial Assets and Financial Liabilities (Continued)

All financial assets not classified as measured at amortized cost or FVTOCI are measured at FVTPL. This includes all derivative financial assets. The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 1 January 2018 are as follows :

	Original Classification under 'IAS 39'	New Classification under 'IFRS 9'	Original carrying amount under 'IAS39' AED	New Classification under 'IFRS 9' AED
Other receivables	Loans and receivable	Amortized cost	2,705,818	2,705,818
Due from related parties	Loans and receivable	Amortized cost	24,562,007	24,562,007
Cash and cash equivalents	Loans and receivable	Amortized cost	19,252	19,252

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of Financial Assets

IFRS 9 replaces the "Incurred loss" model in IAS 39 with a forward looking "Expected Credit Loss" ECL model. This will require considerable judgment about how changes in economic factors affect the ECL's, which will be determined on a probability weighted basis. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

The financial assets at amortized cost consists of trade and other receivables, contract assets, due from related parties, cash and cash equivalents including fixed deposits.

Provision for impairment of trade receivables and contract assets

The Company reassessed its impairment loss on its trade receivables and contract assets using the simplified approach as an expected loss measurement basis. Based on current estimates, the Company has determined that there is no impairment to be carried on the provision for impairment of accounts receivables balance as at 1 January 2018.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 **New and amended standards effective after 1 January 2018 (Continued)**

- **IFRS 9 "Financial Instruments (effective from 1 January 2018)" (Continued)**

Provision for impairment of trade receivables and contract assets (Continued)

The Company has taken an exemption not to restate comparative information for prior periods with respect to impairment requirements. Therefore, comparative periods have not been restated. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

- ***IFRS 15 "Revenue from Contracts with Customers"***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

Revenue is recognized when a customer obtains control of goods or services. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

The IFRS 15 did not have a material impact on the Company's financial position or performance during the year.

2.2. **New Revised IFRSs in issue but not yet effective**

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

IFRS 16 "Leases"

Mandatory for annual periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRSs reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the UAE Commercial Companies Law.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost except for certain elements which has been measured on the basis of fair value.

These financial statements are presented in Arab Emirates Dirham (AED), which is the Company's Functional Currency. Amounts presented in AED in these financial statements are rounded to the nearest Dirham.

3.3 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make judgment, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstance.

Estimates and judgments with significant risk of material adjustment in the future year mainly comprise of the following:

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognized valuation methods. These methods comprise the Residual Value Method and the Income Capitalization Method.

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

3. BASIS OF PREPARATION (CONTINUED)

3.3 **Use of estimates and judgment (Continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year 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.

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

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

Estimation of net realizable value for projects under progress

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 **Projects under progress**

Projects under progress comprises properties under development for sale purpose mainly are carried at the lower of cost or net realizable value. Cost comprises all direct costs attributable to the design and construction of the property including staff costs. Net realizable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses. Up on completion of construction such properties are transferred to respective category as per management decision.

4.2 **Investment properties**

Land and buildings owned by the Company for the purpose of generating rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes are classified as investment properties. Investment properties are initially measured at cost includes expenditures that are directly attributable to the acquisition of the investment properties.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 **Investment properties (Continued)**

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in statement of comprehensive income when an investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income within "Other operating income" in the year of retirement or disposal.

Transfers are made to investment properties when only there is a change in use evidenced by ending of owner-occupation on commencement of an operating lease of significant portion of the property to another party. Transfers are made from investment properties when and only when there is a change in use based on the business model.

4.3 **Financial assets**

The Company initially recognizes financial assets on trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets are initially measured at fair value. Transaction costs that are directly attributable to the assets acquisition or origination except for those financial assets measured at fair value through profit or loss.

All financial assets are subsequently measured at their amortized cost or fair value depending in the classification of the financial assets.

4.4 **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of income. Impairment is determined as follows :

- For financial assets carried at amortized cost the amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for similar financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 **Impairment of financial assets (Continued)**

- For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the consolidated statement of income.

Evidence of impairment may include indications that: the debtors or counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments the probability that they will enter bankruptcy or other financial reorganization.

4.5 **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights of 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

4.6 **Cash and cash equivalents**

For the purposes of preparing statement of cash flows (Exhibit D) "cash and cash equivalents" comprise of cash in hand and unrestricted balance with the bank which are subject to an insignificant risk of changes in value.

4.7 **Financial liabilities**

Financial liabilities are recognized when the Company becomes a party to the contractual arrangement provision of the instrument.

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

4.8 **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4.9 **Accounts payable and accruals**

Accounts payable and accruals are recognized for amounts to be paid in the future for goods or services received, whether billed by supplier or not.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 **Provisions**

Provisions are present obligations (legal or constructive) resulted from past events and are recognized when the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. Provisions are reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reversal of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

4.11 **Revenue recognition**

Contract revenue

The Company recognize revenue from contracts with customers based on the five step model set out in IFRS 15.

- *Identify the contract(s) with a customer*

  A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations, and are committed to perform criteria are met.

- *Identify the performance obligations in the contract*

  A performance obligation is a promise in a contract with a customer to transfer a good or service to customer.

- *Determine the transaction price*

  The transaction price represent the amount of consideration to which the Company expects to be entitled in exchange for transferring good or service to a customer.

- *Allocate the transaction price to performance obligation*

  For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation based on stand alone selling prices for each good or service.

- *Recognize revenue when (or as) the entity satisfies a performance obligation*

  The Company satisfies a performance obligation and recognize revenue over time if one of the following criteria is met :

  i) The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs or ;
  ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or ;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 **Revenue recognition**

Contract revenue (Continued)

- *Recognize revenue when (or as) the entity satisfies a performance obligation (Continued)*

iii) The Company performance does not create as asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligation, where none of the condition are met, revenue is recognized at the point in time at which the performance is satisfied.

4.12 **Foreign currencies**

Assets and liabilities denominated in foreign currencies are expressed in Arab Emirates Dirhams (AED) at exchange rates prevailing at the statement of financial position date. Foreign currency transactions occurring during the year are converted into AED at exchange rates prevailing on the dates of these transactions. All foreign currency gains and losses are credited or charged to statement of comprehensive income as they arise.

4.13 **Contingent liabilities**

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

5. INVESTMENT PROPERTIES

a) The details of movement in this item during the year is as follows :

	2018 AED	2017 AED
Fair value at 1 January	**28,000,000**	28,000,000
Decrease in fair value	**(2,900,000)**	--
Fair value at 31 December - Exhibit A	**25,100,000**	28,000,000

b) Investment properties amounting to AED. 25,100,000 (2017 : AED. 28,000,000) mentioned above represent the fair value of two plots of land located in the Emirate of Dubai valued by an Independent Professional real estate surveyor as at the statement of financial position date.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company enters into various transactions with related parties. Related parties represent the shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The prices and terms of these transactions are agreed with the Company's management.

- At the statement of financial position date, balances due from related parties are as follows :

	2018 AED	2017 AED
Gulf General Investments Company P.J.S.C. - Dubai	**3,201,281**	3,248,781
Al Soor Investments LLC - Dubai	**20,893,872**	21,313,226
Total - Exhibit A	**24,095,153**	24,562,007

- At the statement of financial position date, balance of long term loan from a related party is as follows:

	2018 AED	2017 AED
Al Soor Investments LLC – Dubai - **Exhibit A**	**8,374,264**	8,118,201

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Long-term loan represent a loan granted from a related party of AED. 8,374,264 (2017: AED. 8,118,201) mentioned above bears an agreed interest rate per annum with an agreed repayment term.

- The following are the details of significant related parties transactions :

	2018 AED	2017 AED
Long term loan	**256,063**	139,000
Expenses	**542,160**	575,565

7. PROJECTS UNDER PROGRESS

a) The details of movement in this item during the year is as follows :

	2018 AED	2017 AED
Balance at 1 January	**190,001,661**	189,894,811
Additions	**--**	106,850
Balance at 31 December - Exhibit A	**190,001,661**	190,001,661

b) Projects under progress of AED. 190,001,661 (2017 : AED. 190,001,661) mentioned above represent the amounts paid towards construction of real estate projects in the Emirate of Dubai.

8. OTHER RECEIVABLES

This item consists of the following :

	2018 AED	2017 AED
Advances paid	**2,694,362**	2,694,362
Prepaid expenses	**10,000**	10,456
Refundable deposit	**1,000**	1,000
Total - Exhibit A	**2,705,362**	2,705,818

9. CASH AND CASH EQUIVALENTS

This item consists of the following :

	2018 AED	2017 AED
Bank balance - current accounts - **Exhibit A & D**	**39,561**	19,252

10. CAPITAL

This item consists of the following :

	2018 AED	2017 AED
Authorized Share Capital is 1,500,000 share (2017 : 1,500,000 share) ordinary shares of AED. 100 each fully paid - Exhibit A	**150,000,000**	150,000,000

11. RESERVES

a) **Basis of Retained Reserves**

The Company's annual profit is distributed after deducting all administrative expenses and other related expenses as follows :

i) **Statutory Reserve**

In accordance with Company's Articles of Association and U.A.E. Federal Law No. (2) of 2015 an amount equal to 10% of the yearly profit is to be transferred to a statutory reserve until such reserve balance reaches 50% of the Company's capital. Amounts retained in the statutory reserve account are not available for distribution except under the circumstances stipulated by the law.

ii) **Voluntary Reserve**

In accordance with Company's Articles of Association, 10% of the yearly profit to be transferred to a voluntary reserve, until a decision from the Ordinary General Assembly Meeting on a proposal by Board of Directors to stop such deduction or if such reserve reaches 50% of the company's paid-up capital.

b) The details of movement of this item during the year are as follows :

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 1 January 2017	7,082,424	7,082,424	14,164,848
Balance at 31 December 2017 – Exhibit A	**7,082,424**	**7,082,424**	**14,164,848**
Additions for the year	--	--	--
Balance at 31 December 2018 – Exhibit A	**7,082,424**	**7,082,424**	**14,164,848**

12. ACCOUNTS PAYABLE AND OTHERS

This item consists of the following :

	2018	2017
	AED	AED
Accounts payable	**19,798,471**	19,888,280
Accrued expenses	**21,000**	36,000
Total - Exhibit A	**19,819,471**	19,924,280

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Company uses external valuers with market knowledge, reputation independence for valuation of investment properties.

For investment traded in an active market, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted future cash flows.

14. RISK MANAGEMENT

Risk is inherited in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Operational risks are an inevitable consequence of being in the business.

The Company is exposed to a variety of financial risks included : capital risk, market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through internal reports which analyze the risk to achieve its risk management function and monitor risks and reviews policies implemented to mitigate risk exposures.

14.1 Capital risk

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders return capital to shareholders, increase the capital or sell assets.

14.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rate will affect the Company's income or the value of its holdings of financial instruments, the objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The establishment maintains policies and procedures to manage the exchange rate risk exposure.

Interest rate risk

The Company is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintains an appropriate mix between fixed and floating interest rates balance at the start of the financial year.

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2018 are as follows :

	Effective interest rate	
	2018	**2017**
Long term loan from a related party	**5% per annum**	5% per annum

14. RISK MANAGEMENT (CONTINUED)

14.3 **Credit risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from accounts receivable and others, amounts due from related parties and cash and cash equivalents.

Due from related parties

Amounts due from related parties are considered to be fully recoverable by management.

Cash and cash equivalents

The Company's cash is placed with banks of repute. Management is confident that does not result in any credit risk to the Company as the banks are major banks operating in U.A.E

14.4 **Liquidity risk**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Company monitors its risk to shortage of funds using a cash flow model. This tool considers the maturity of financial assets and projected cash flows from operation and capital projects.

The Company objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The details of maturity dates of the Company's financial assets and financial liabilities are as follows :

As at 31 December 2018 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	39,561	--	--	39,561
Other receivables	--	1,000	--	1,000
Due from related parties	--	--	24,095,153	24,095,153
Total	39,561	1,000	24,095,153	24,135,714
Financial Liabilities				
Accounts payable and others	21,000	19,798,471	--	19,819,471
Retentions payable	--	--	3,256,960	3,256,960
Long term loan from a related party	--	--	8,374,264	8,374,264
Total	21,000	19,798,471	11,631,224	31,450,695

14. RISK MANAGEMENT (CONTINUED)

14.4 Liquidity risk (Continued)

As at 31 December 2017 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	19,252	--	--	19,252
Other receivables	--	1,000	--	1,000
Due from related parties	--	--	24,562,007	24,562,007
Total	19,252	1,000	24,562,007	24,582,259
Financial Liabilities				
Accounts payable and others	2,422,594	17,501,686	--	19,924,280
Retentions payable	--	--	3,256,960	3,256,960
Long term loan from a related party	--	--	8,118,201	8,118,201
Total	2,422,594	17,501,686	11,375,161	31,299,441

15. ADMINISTRATIVE EXPENSES

This item consists of the following :

	2018	2017
	AED	AED
Government expenses	**56,095**	120,870
Advertisements	**1,772**	48,360
Legal & professional charges	**121,790**	36,000
Miscellaneous expenses	**6,234**	1,725
Total - Exhibit B	**185,891**	206,955

16. BASIC EARNINGS PER SHARE

This item consists of the following :

	2018	2017
	AED	AED
Loss for the year attributable to equity holders (AED)	**(3,498,255)**	(611,565)
Weighted average number of shares (share)	**1,500,000**	1,500,000
Basic loss per share (AED) – Exhibit B	**(2.33)**	(0.41)

17. COMMITMENTS

Commitments of the Company as at financial position date towards construction obligation is AED. 114,644,289 (2017 : AED. 114,644,289).

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for issue by the board of directors on 6 March 2019.