Arabtec Holding PJSC and its Subsidiaries

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

Arabtec Holding PJSC and its Subsidiaries

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Directors' Report

The Board of Directors of Arabtec Holding PJSC presents the consolidated financial statements as at 31 December 2019 for the Arabtec Group.

Financial Performance

Arabtec reported a net loss to parent of AED 774 million in 2019 which was attributable to the construction business (Arabtec Construction). Other core businesses including Target (Industrial), Arabtec Engineering Services (Infrastructure) and EFECO (MEP) traded profitably and remain well-positioned within their respective sectors.

Construction

The full year loss is primarily attributable to:

- Tight liquidity in the real estate and construction sector.
- Slowing real estate sector has resulted in limited new awards.
- Settlement and recoverability of claims.
- Loss from investment in an associate company.

Arabtec continues to make good progress on handing over key projects. Since Q3 FY2019, Arabtec Construction has handed over six legacy projects and is confident that it will hand over an additional nine legacy projects by the end of 2020. This will significantly reduce the Group's risk around costs and will allow Arabtec to fully focus on pursuing its contractual entitlements with clients.

Arabtec Construction is taking a selective approach to geography, clients and contract terms and will focus on its core strengths such as villas where it is well recognised for delivering quality and value.

Industrial

Arabtec Group through its subsidiary, Target, is a leading local EPC contactor in the Oil & Gas sector working for key clients. Target is well-positioned to continue to grow its revenue and backlog through a strong pipeline of opportunities in the UAE and KSA.

Infrastructure

Consistent with the Group's strategy, Arabtec is focusing more on the infrastructure sector through its subsidiary Arabtec Engineering Services, a leading local infrastructure and utility contractor which is well-positioned to take advantage of future growth opportunities in the UAE including roads, bridges, sewerage, water and irrigation networks.

MEP

EFECO is a leading local Mechanical, Electrical and Plumbing (MEP) contractor in the UAE.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements which indicates that the Group has incurred a loss for the year ended 31 December 2019 of AED 848.7 million, had net cash used in operating activities of AED 39.7 million and net current liabilities of AED 1,004.7 million as at 31 December 2019, and the assumptions made by the Group in preparing these financial statements as a going concern.

The Group has a number of secured financing facilities, which, inter alia, contain covenants requiring the Group to maintain specified financial ratios. These covenants were breached as at 31 December 2019, which had the effect of the Group's bank borrowings being repayable on demand. In addition, the Group is required to repay amounts, under its existing financing arrangements, of AED 402 million over the next 15 months.

The Group's ability to continue to operate as a going concern is dependent on securing additional financing, obtaining covenant waivers on its existing financing facilities and closing out ongoing, completed and legacy projects in accordance with forecast cash flows, which are not wholly within management's control.

Going Forward

The Group continued to reduce debt in 2019 and is working closely with key lenders to align its debt with its business needs. The Group continues to right-size its workforce, reducing manpower and support functions in line with the operational requirements of the business, reducing cost and improving productivity and efficiency for the Group.

Consistent with conditions being experienced across the industry, the uncertainty due to turmoil in the oil and gas market further worsened by the impact of COVID-19 may materially affect the assumptions made in preparing these financials statements, particularly the timing of financing, new contract awards and our ability to meet project milestones. At the date of approval of these

financial statements, our projects continue to operate and have been moderately affected by lockdown and social distancing measures in the UAE and Middle East so far. If the pandemic increases in magnitude and duration, the continuation of these circumstances could result in an even broader economic downturn which could have a negative impact on the Group's financial results. Notwithstanding the measures implemented by the Group to prevent and/or detect the virus, the variety of possible outcomes related to the course of the pandemic and its adverse impact on the regional and global economy represents a material uncertainty.

The Board of Directors as at 31 December 2019

Director	Position
H.E. Mohamed Thani Murshed Al Rumaithi	Chairman
Mr. Mohamed Hamad Al Mehairi	Vice Chairman & Chairman of the Executive Committee
Mr. Ghannam Butti Al Mazrouei	Board Member and Chairman of the Audit Committee
Mr. Khaleefa Ali Mohamed Abdulla Al Qamzi	Board Member & Chairman of the Nomination & Remuneration Committee
Mr. Khalifa Abdulla Al Romaithi	Board Member and Member of the Audit Committee
Eng. Saeed Mohamed Al Mehairbi	Board Member and Member of the Nomination & Remuneration Committee
Tareq Ahmed Al Masaood Al Mehairbi	Board Member and Member of the Nomination and Remuneration Committee

Mr. Khalifa Abdulla Al Romaithi has resigned from his position as a Board member of Arabtec Holding PJSC and the Board of Directors appointed Mr. Hamad Salem Al Ameri as a member of Arabtec's Board of Directors on 14th May 2020.

On behalf of the Board of Directors:



Mr. Mohamed Al Mehairi
Vice Chairman of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Arabtec Holding PJSC and its subsidiaries
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

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

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

Basis for Qualified Opinion

- The Group's investment properties, which are carried in the statement of financial position at AED 594 million, include investment properties with a carrying amount of AED 568 million which exhibit indicators of impairment. Management has not determined if the recoverable amount of the aforementioned investment properties exceed their carrying amount, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

- The Group's revenue and direct costs are presented in the consolidated income statement at AED 7,786 million and AED 8,117 million respectively. Management has measured revenue by including variable consideration in the transaction price of certain construction contracts, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. Management has also excluded certain forecast contract costs and included the recovery of unapproved back charges and discounts with certain subcontractors in their estimates of forecast costs to complete when determining the forecast contract profit or loss. These matters constitutes a departure from IFRSs. The Group's records indicate that, had management constrained its estimates of variable consideration in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved and had all forecast contract costs been included and all unapproved back charges and discounts been excluded in the estimates of forecast costs, an amount of AED 710 million would have been required to reduce revenue and an amount would of AED 404 million would have been required to increase direct costs. Accordingly:

Akbar Ahmad (1141), Anis Sadek (521), 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.

Basis for qualified opinion (continued)

- the loss for the year would have been increased by AED 1,114 million;
- the loss per share would have been increased by AED 0.74 per share;
- due from customers from construction contracts would have been reduced by AED 436 million;
- other current assets would have been reduced by AED 250 million;
- opening retained earnings would have been reduced by AED 121 million;
- due to customers from construction contracts would have been increased by AED 404 million;
- trade and other payables would have been increased by AED 145 million; and
- total equity would have been reduced by AED 1,235 million

- The Group's trade and other receivables, due from customers on construction contracts and trade and other payables, which are carried on the statement of financial position at AED 2,239 million, AED 2,338 million and AED 5,008 million include contract receivables and amounts due from customers on construction contracts with a total carrying amount of AED 302 million and a provision for contract losses of AED 76 million. Management has not stated these amounts after taking into consideration the status of negotiations with customers at the reporting date which would increase the allowance for expected credit losses, which constitutes a departure from IFRSs. The Group's records indicate that, had management stated contract receivables, amounts due from customers on construction contracts and the provision for contract losses after taking into consideration the status of negotiations with customers at the reporting date, a total amount of AED 226 million would have been required to reduce contract receivables, amounts due from customers on construction contracts and decrease the provision for contract losses, included in trade and other payables. Accordingly, general and administrative expenses, the loss for the year and total equity would have been increased by AED 226 million and the loss per share would have been increased AED 0.15 per share.

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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group has incurred a loss for the year ended 31 December 2019 of AED 848.7 million, had net cash used in operating activities of AED 39.7 million and net current liabilities of AED 1,004.7 million as at 31 December 2019.

The Group has a number of secured financing facilities, which, inter alia, contain covenants requiring the Group to maintain specified financial ratios. These covenants were breached as at 31 December 2019 which had the effect of the Group's bank borrowings being repayable on demand. In addition, the Group is required to repay amounts, under its existing financing arrangements, of AED 402 million over the next 15 months.

The Group's ability to continue to operate as a going concern is dependent on securing additional financing, obtaining covenant waivers on its existing financing facilities and closing out ongoing, completed and legacy projects in accordance with forecast cash flows, which are not wholly within management's control.

As stated in Note 2, these events or conditions, along with the contractual and legal disputes described in Note 39, other matters as set forth in Note 40 and the matters set out in the Basis for Qualified Opinion section of our report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

We draw attention to:

a) Note 39 of the consolidated financial statements, which describes various contractual disputes relating to projects which are currently subject to legal proceedings and/or a dispute resolution process with the respective employers. The probable outcome of these contractual disputes cannot be determined with reasonable certainty, as these legal proceedings and/or dispute resolution processes are ongoing.

b) Note 40 of the consolidated financial statements, which describes that the outcome of the dispute and claim filed by a non-controlling shareholder of Arabtec Construction W.L.L. Qatar, a subsidiary of the Group, cannot be determined with reasonable certainty as at the date of this report.

Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How the matter was addressed in our audit**
Revenue recognition on construction contracts	
For construction contracts, the Group recognises revenue over time and measures the progress based on the input method by measuring the proportion of total costs incurred for the work performed as at the reporting date, relative to the estimated total costs of the contract at completion. The recognition of revenue therefore relies on estimates in relation to the stage of completion and costs to complete its construction contracts, which requires the Group to make estimates of future costs to be incurred, based on professional judgement and historical experience on work to be performed beyond the reporting date. The revenue on construction contracts may also include variations and claims, which are stipulated by either the variable consideration or contract modification requirements contained within IFRS 15 Revenue from Contracts with Customers. These are recognised on a contract-by-contract basis when evidence supports that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with it is subsequently resolved.	Our work on the recognition of contract revenue, contract costs and related receivables and liabilities included: • an assessment of the design and implementation of relevant controls over the recognition of contract revenue and contract costs; • meeting with operational project management to understand contract performance; • challenging management's key judgements applied in the determination of forecast costs to complete that determines the accounting under the percentage of completion method, including the following procedures: ▪ reviewing contract terms and conditions on a sample basis; ▪ testing the valuation of claims and variations both within contract revenue and contract costs by inspecting customers' instructions and contracts with customers and the supply chain;

Key audit matters (continued)

Key Audit Matter	How the matter was addressed in our audit
Revenue recognition on construction contracts	
The effect of these matters is that, as part of our risk assessment, we determined that contract revenue and other related contract balances have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality levels for the consolidated financial statements as a whole. Consequently, we considered this to be a key audit matter. The Group's accounting policy for revenue recognition on construction contracts is included in Note 4 to the consolidated financial statements.	▪ testing the financial forecast costs by agreeing a sample of costs to subcontractor agreements and through interviews and site visits with commercial and operational management to assess the impact of any commercial and operational risk on the cost estimates; ▪ assessing the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works; ▪ Involvement of an internal engineer specialist to review management's internal and external expert's reports on the Group's entitlement to and quantification of claims revenue and entitlement to extension of time; ▪ assessing the specific contractual and commercial risks and then to determine the reasonableness of the completeness and accuracy of the management forecast and assessments of these risks in the project cost estimates; ▪ reviewing key contractual terms around delivery dates and any contractual milestone dates and the terms for liquidated damages under the contract; ▪ reviewing the actual achievement of the contractual delivery dates or milestone dates against the contractual dates to assess the exposure to liquidated damages; ▪ reperforming the mathematical accuracy of the calculations used to determine revenue; ▪ assessing the recoverability of related contract receivables, including the review of confirmations from lawyers, testing of post year end cash receipts, and completeness and validity of any contract loss provisions through completion of the above procedures; and ▪ assessing the disclosures relating to this matter in the consolidated financial statements to determine if they are in accordance with IFRSs. **Key Observations:** Except for the matters described in the Basis for Qualified Opinion section of our auditor's report, we concur with management's disclosures in Note 5 to the consolidated financial statements, which describes the estimation uncertainty related to forecast revenue and costs and the critical accounting judgement regarding liquidated damages. We concur with management's judgement that the contract accounting adopted in the financial statements is appropriate.

Key audit matters (continued)

Key Audit Matter	How the matter was addressed in our audit
Goodwill impairment assessment	
Management is required to assess the carrying value of goodwill and acquired intangible assets, and perform an impairment review on an annual basis for goodwill and intangible assets with indefinite useful lives and whenever an indication of impairment exists for intangible assets with finite useful lives. Goodwill was acquired through business combinations. The assessment of the recoverable amount of goodwill includes, inter alia, management's assumptions about expected business activity, including the anticipated timing and value of future contract awards, assumptions over forecast contract margins, discount rates and terminal growth rates. The Group's accounting policy for impairment of non-financial assets is included in Note 4 in the summary of significant accounting policies. The assessment of the recoverability of goodwill requires management to apply significant judgements and make significant estimates as described in Note 5. Consequently, we considered this to be a key audit matter.	We have performed the following procedures to address this key audit matter for material cash generating units: • an assessment of the design and implementation of relevant controls over the preparation of the goodwill impairment assessment; ▪ benchmarking and analysis of revenue growth assumptions against market data; ▪ benchmarking of the discount rate, the terminal growth rate applied and review of management's cash flow model with involvement from our valuation specialists; ▪ reperforming the mathematical accuracy of the recoverable amount of goodwill; ▪ evaluating management's historical forecasting accuracy, specifically on gross profit margins; ▪ agreement of estimated new contract awards to tender requests or enquiries received where applicable; ▪ assessment of any evidence contradictory to management's assumptions; and ▪ we assessed the disclosures included in the consolidated financial statements, in relation to this matter, against the requirements of IFRSs.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018, was audited by another auditor who expressed a modified opinion on those statements on 12 February 2019 relating to the determination of the recoverable amount of investment properties with a carrying amount of AED 568 million and the measurement and recoverability of amounts due from customers with a carrying amount of AED 153 million.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Directors' report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the Directors' report is expected to be made available to us after that date. The other information does not included 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 conclusion thereon.

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

When we read the remaining information of the Directors' report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 of the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 10 to the consolidated financial statements discloses the Group's purchases of investments in shares during the year ended 31 December 2019;
- Note 17 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflicts of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the 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.

Further, as required by UAE Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

Deloitte & Touche (M.E.)



Cynthia Corby
Registration No. 995
12 June 2020
Dubai
United Arab Emirates

Consolidated statement of financial position as at 31 December 2019

	Notes	2019 AED'000	2018 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**512,196**	638,874
Right-of-use asset	7	**120,158**	-
Investment properties	8	**593,581**	595,320
Goodwill	9	**248,741**	248,741
Other intangible assets	9	**15,000**	16,000
Investment in an associate	10	**99,945**	209,328
Other non-current assets	11	**211,027**	280,223
Deferred tax asset	12 (b)	**720**	5,282
Trade and other receivables - non-current	13	**560,544**	537,018
Other financial assets - non-current	15	**17,282**	17,282
Total non-current assets		**2,379,194**	2,548,068
Current assets			
Inventories	16	**68,083**	130,590
Trade and other receivables	13	**2,239,106**	2,395,825
Due from customers on construction contracts	14	**2,338,320**	2,641,928
Advances paid to suppliers and sub-contractors		**1,254,018**	977,947
Due from related parties	17	**547,789**	576,160
Other financial assets	15	**174,979**	205,713
Other current assets	18	**433,220**	289,301
Cash and bank balances	19	**816,903**	1,269,575
Total current assets		**7,872,418**	8,487,039
Total Assets		**10,251,612**	11,035,107

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

Consolidated statement of financial position as at 31 December 2019 (continued)

	Notes	2019 AED'000	2018 AED'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	**1,500,000**	1,500,000
Statutory reserve	21	**155,909**	155,909
Foreign currency translation reserve		**16,766**	27,603
Other reserves	21	**(212,648)**	(212,648)
(Accumulated losses)/retained earnings		**(671,251)**	189,793
Equity attributable to owners of the Parent		**788,776**	1,660,657
Non-controlling interests	37	**(344,858)**	(258,399)
Total equity		**443,918**	1,402,258
Non-current liabilities			
Bank borrowings - non-currrent	22	**197,826**	559,911
Lease liabilities - non-current	23	**79,284**	-
Retentions payable - non-current	24	**428,912**	361,234
Provision for employees' end of service benefits	25	**224,559**	216,045
Total non-current liabilities		**930,581**	1,137,190
Current liabilities			
Trade and other payables	26	**5,008,150**	4,674,891
Due to customers on construction contracts	14	**233,702**	66,455
Advances received from customers		**1,553,111**	1,757,322
Bank borrowings	22	**1,611,617**	1,497,096
Lease liabilities	23	**9,052**	-
Due to related parties	17	**450,945**	487,029
Income tax payable	12 (c)	**10,536**	12,866
Total current liabilities		**8,877,113**	8,495,659
Total Liabilities		**9,807,694**	9,632,849
Total Equity and Liabilities		**10,251,612**	11,035,107

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in the periodic report.

Mohamed Hamad Al Mehairi
Vice Chairman of the Board of Directors

Consolidated income statement
for the year ended 31 December 2019

	Note	2019 AED'000	2018 AED'000
Revenue	27	**7,786,067**	9,852,989
Direct costs	28	**(8,117,120)**	(9,217,754)
Gross (loss)/profit		**(331,053)**	635,235
Investment income		**6,912**	4,080
General and administrative expenses	29	**(374,749)**	(298,634)
Other income	30	**97,406**	14,945
Finance cost - net	31	**(136,047)**	(103,468)
Share of (loss)/profit from associate	10	**(106,724)**	8,795
(Loss)/profit before tax		**(844,255)**	260,953
Income tax expense	12	**(4,474)**	(4,337)
(Loss)/profit for the year		**(848,729)**	256,616
Attributable to:			
Owners of the Parent		**(773,823)**	256,299
Non-controlling interests		**(74,906)**	317
		(848,729)	256,616
(Loss)/earnings per share			
Basic and diluted (AED)	32	**(0.52)**	0.17

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

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 AED'000	2018 AED'000
(Loss)/profit for the year		**(848,729)**	256,616
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Net change in foreign currency translation reserve		**(16,890)**	(9,421)
Share of other comprehensive loss from associate	10	**(2,659)**	-
Items that may not be reclassified to profit or loss			
Actuarial loss recognised	25	**-**	(19,681)
Total other comprehensive loss for the year		**(19,549)**	(29,102)
Total comprehensive (loss)/income for the year		**(868,278)**	227,514
Attributable to:			
Owners of the Parent		**(787,319)**	230,723
Non-controlling interests		**(80,959)**	(3,209)
		(868,278)	227,514

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

	Attributable to owners of the Parent							
	Share capital AED'000	**Statutory reserve AED'000**	**Foreign currency translation reserve AED'000**	**Other reserves AED'000**	**Retained earnings AED'000**	**Total AED'000**	**Non-controlling interests AED'000**	**Total equity AED'000**
Balance at 31 December 2017	1,500,000	130,279	33,498	(199,063)	120,152	1,584,866	(244,368)	1,340,498
Cumulative effect of first time adoption of IFRS 9	-	-	-	-	(101,397)	(101,397)	(11,282)	(112,679)
Balance at 1 January 2018 - restated	1,500,000	130,279	33,498	(199,063)	18,755	1,483,469	(255,650)	1,227,819
Profit for the year	-	-	-	-	256,299	256,299	317	256,616
Other comprehensive loss for the year	-	-	(5,895)	-	(19,681)	(25,576)	(3,526)	(29,102)
Total comprehensive (loss)/income for the year	-	-	(5,895)	-	236,618	230,723	(3,209)	227,514
Transfer to statutory reserve (Note 21)	-	25,630	-	-	(25,630)	-	-	-
Acquisition of non-controlling interest	-	-	-	(13,585)	-	(13,585)	6,473	(7,112)
Dividends declared and paid to shareholders (Note 41)	-	-	-	-	(30,750)	(30,750)	-	(30,750)
Dividends declared and paid to non-controlling interest	-	-	-	-	-	-	(6,013)	(6,013)
Remuneration to directors [Note 17(d)]	-	-	-	-	(9,200)	(9,200)	-	(9,200)
Balance at 31 December 2018	1,500,000	155,909	27,603	(212,648)	189,793	1,660,657	(258,399)	1,402,258
Loss for the year	-	-	-	-	(773,823)	(773,823)	(74,906)	(848,729)
Other comprehensive loss for the year	-	-	(10,837)	-	(2,659)	(13,496)	(6,053)	(19,549)
Total comprehensive (loss)/income for the year	-	-	(10,837)	-	(776,482)	(787,319)	(80,959)	(868,278)
Dividends declared and paid to shareholders (Note 41)	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Dividends declared and paid to non-controlling interest	-	-	-	-	-	-	(5,500)	(5,500)
Remuneration to directors [Note 17(d)]	-	-	-	-	(9,562)	(9,562)	-	(9,562)
Balance at 31 December 2019	**1,500,000**	**155,909**	**16,766**	**(212,648)**	**(671,251)**	**788,776**	**(344,858)**	**443,918**

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'000	2018 AED'000
Operating activities		
(Loss)/profit before tax	**(844,255)**	260,953
Adjustments for:		
Depreciation on property, plant and equipment	**160,129**	168,560
Impairment losses on financial assets	**145,300**	1,075
Finance costs - net	**129,440**	111,335
Share of loss/(profit) from associate	**106,724**	(8,795)
Gain on sale of property, plant and equipment	**(57,216)**	(1,097)
Provision for employees' end of service benefits	**56,940**	55,595
Depreciation of right-of-use assets	**12,864**	-
Investment income	**(6,912)**	(4,080)
Finance costs related to lease liabilities	**5,271**	-
Reversal of deferred tax asset	**4,687**	-
Net fair value change in non-current receivables and payables	**1,336**	(7,867)
Amortisation of intangible assets	**1,000**	1,000
Gain on disposal of investment properties	**(408)**	-
Depreciation on investment properties	**27**	327
Reversal of provision for doubtful receivables	**-**	(9,025)
Reversal of provision for slow-moving inventories	**-**	(2,979)
Impairment losses on inventories	**150**	50
Operating movement in working capital before changes in operating assets and liabilities	**(284,923)**	565,052
Decrease/(increase) in inventories	**62,357**	(10,665)
(Increase)/decrease in trade and other receivables, including retention receivables	**(14,891)**	29,467
Decrease in due from customers on construction contracts	**303,608**	339,265
(Increase)/decrease in advances paid to suppliers and sub-contractors	**(276,071)**	279,592
Decrease in due from related parties	**28,371**	138,249
(Increase)/decrease in other current assets	**(178,865)**	46,082
Decrease in other non-current assets	**46,751**	10,675
Increase in trade and other payables, including retention payables	**402,385**	6,276
Increase/(decrease) in due to customers on construction contracts	**167,247**	(105,466)
Decrease in advances received from customers for contract work	**(204,211)**	(252,862)
Decrease in due to related parties	**(36,084)**	(49,239)
Cash generated from operations	**15,674**	996,426
Employees' end of service indemnity paid	**(48,426)**	(59,741)
Income tax paid	**(6,929)**	(12,840)
Net cash (used in)/generated from operating activities	**(39,681)**	923,845

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

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

	2019	2018
	AED'000	AED'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(41,904)**	(60,298)
Proceeds from disposal of property, plant and equipment	**65,669**	8,354
Net movement in other financial assets	**30,734**	(23,286)
Investment income received	**6,912**	4,080
Movement in margin deposits	**(83,590)**	(912)
Proceeds from disposal of investment properties	**2,120**	-
Dividends received from associates	**-**	23,331
Net cash used in investing activities	**(20,059)**	(48,731)
Cash flows financing activities		
Net movement in borrowings	**(283,785)**	(327,134)
Dividends paid to shareholders	**(75,000)**	(30,750)
Payments for the principal portion of the lease liabilities	**(9,740)**	-
Remuneration to directors	**(9,562)**	(9,200)
Dividends paid to non-controlling interests	**(5,500)**	(6,013)
Finance cost paid	**(112,266)**	(111.335)
Acquisition of additional interest in a subsidiary	**-**	(7,112)
Net cash used in financing activities	**(495,853)**	(491,544)
Net (decrease)/increase in cash and cash equivalents	**(555,593)**	383,570
Cash and cash equivalents at the beginning of the year	**874,898**	500,749
Net foreign currency translation difference	**(16,890)**	(9,421)
Cash and cash equivalents at the end of the year (Note 19)	**302,415**	874,898

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

Arabtec Holding PJSC (the "Company") is a Public Joint Stock Company established under the laws of the United Arab Emirates (UAE) pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The Company commenced operations on 20 September 2004. The Company's shares are listed on the Dubai Financial Market ("DFM"). The registered office of the Company is P.O. Box 3399, Dubai, UAE.

The Group's major shareholder is Aabar Investment PJS whose parent company Mubadala Investment Company, which is ultimately owned by the Government of the Emirate of Abu Dhabi.

Arabtec Holding PJSC and its subsidiaries (the "Group") are primarily engaged in construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of ready mix concrete and construction equipment supply and rental.

The Group also operates in the oil and gas, infrastructure and power sector, facilities management and property development.

These consolidated financial statements include the results of operations and financial position of the Company and its subsidiaries (together referred as “the Group”). The principal activity, country of incorporation and ownership interest of the Company in the subsidiaries are set out below:

Subsidiaries, associates and joint operations:

Name of subsidiary and domicile	% Holding (including indirect holding) 2019	2018	Principal activities
Arabtec Construction LLC - Dubai, UAE	100%	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	100%	Civil construction and related works
Arabtec Pakistan (Pvt.) Limited, Pakistan	60%	60%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	100%	Civil construction and related works
Arabtec - Musawa W.L.L., Kingdom of Bahrain	-	100%	Civil construction and related works
Arabtec Construction LLC (Jordan foreign working entity), Jordan	100%	100%	Civil construction and electrical, mechanical plumbing contracting and related works
Arabtec International Company, Limited, Republic of Mauritius	100%	100%	Civil construction and related works
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Constructions LLC - Abu Dhabi, UAE	60%	60%	Civil construction and related works

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

1. General information (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2019	2018	Principal activities
Arabtec Precast LLC, UAE	100%	100%	Manufacturing of precast panels
Arabtec Minority Holding Limited, JAFZA, UAE	100%	100%	Investment holding company
Arabtec Building Equipment LLC, UAE	70%	70%	Trading and leasing of construction and building equipment
Arabtec Engineering Services LLC, UAE	80%	80%	Infrastructure construction works
Arabtec-Envirogreen Facility Management Services LLC, UAE	100%	100%	Building maintenance and cleaning services, facilities management and security services
Arabtec Property Development LLC - Abu Dhabi, UAE	100%	100%	Real estate, investment, development and management
Arabtec Property Development LLC - Dubai, UAE	100%	100%	Real estate development
Arabtec Property Management LLC - Dubai, UAE	100%	100%	Leasing and management of third party property
Arabtec Real Estate LLC - Abu Dhabi, UAE	100%	100%	Real estate leasing and management services
Arabtec Real Estate LLC - Dubai, UAE	100%	100%	Buying and selling of real estate
Arabtec Living For Construction LLC, UAE	100%	100%	Civil construction and related works
Arabtec Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Trading Limited, JAFZA, UAE	100%	100%	General trading; commercial and real estate investments
Arabtec Consolidated Contractors Limited, JAFZA, UAE*	50%	50%	International business, general trading, and investments
Austrian Arabian Ready Mix Concrete Co. LLC - Dubai, UAE	100%	100%	Ready mixed concrete manufacturing
Emirates Falcon Electromechanical Co. (EFECO) LLC - Dubai, UAE	100%	100%	Electrical, mechanical and plumbing contracting
EFECO Qatar W.L.L, Qatar*	49%	49%	Electrical, mechanical and plumbing contracting
EFECO LLC, State of Palestine	100%	100%	Electrical, mechanical and plumbing contracting
Emirates Falcon Electromechanical Co. (EFECO) LLC - Abu Dhabi, UAE	100%	100%	Electrical, mechanical and plumbing contracting
Gulf Steel Industries FZE, UAE	100%	100%	Fabrication of steel structure and profiles
GSI Steel Construction Contracting LLC, UAE	100%	100%	Fabrication of steel structure and profiles
Idrotec Srl, Italy	96%	96%	Civil construction and related works
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Qatar*	49%	49%	Manufacturing and transportation of ready mix concrete products

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

1. General information (continued)

Subsidiaries, associates and joint operations: (continued)

Name of subsidiary and domicile	% Holding (including indirect holding) 2019	2018	Principal activities
Saudi Target Engineering Construction Company LLC, Kingdom of Saudi Arabia	65%	65%	Civil construction and related works
Target Engineering Construction Company LLC, UAE	100%	100%	Civil construction and related works
Target Steel Industries LLC, UAE	97%	97%	Fabrication of steel structure and profiles
Target Engineering Construction Company L.L.C, (Foreign Company) Jordan	100%	100%	Civil construction and related works
Arabtec Egypt for Property Development, Egypt	100%	100%	Real Estate, investment, development and management
Arabtec Gulf for Property Investment LLC, UAE	100%	100%	Buying and selling of real estate as well as holding activities
Arabtec Construction W.L.L., Qatar*	49%	49%	Civil construction and related works

* In entities listed above where the Company owns less than 50% of the equity shares, the Company has the power over these entities, is exposed to or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect its returns and therefore, exercises effective control. Consequently, these entities are considered as subsidiaries and sub-subsidiaries of the Company and are consolidated in these consolidated financial statements.

The Company and its subsidiaries have the following branches:

- Arabtec Holding PJSC - Abu Dhabi Branch
- Arabtec Construction LLC, St Petersburg, Russia
- Arabtec Construction LLC, Riyadh, Kingdom of Saudi Arabia
- Arabtec Construction LLC, Fujairah Branch
- Arabtec Construction LLC, Bahrain Branch
- Arabtec Construction LLC, Sharjah Branch
- Idrotec SRL - Abu Dhabi
- ACC Arabtec JV SAL - Syrian Arab Republic Branch
- Target Engineering Construction Company - Dubai Branch
- Target Engineering Construction Company - Sharjah Branch
- Target Engineering Construction Company - Fujairah Branch
- Target Engineering Construction Company WLL - Qatar Branch
- Arabtec Construction LLC - branch, Abu Dhabi
- GSI Steel Construction Contracting LLC - Abu Dhabi Branch
- Gulf Steel Industries FZE - Jordan Branch
- Arabtec Construction LLC - Egypt Branch
- Arabtec Consolidated Contractors Limited - Astana City Branch, Kazakhstan
- Arabtec Engineering Services LLC, Abu Dhabi Branch
- Austrian Arabian Ready-Mix Co LLC - Abu Dhabi Branch
- EFECO - Riyadh, Kingdom of Saudi Arabia

Joint operations of the Group are disclosed in Note 38.

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

1. General information (continued)

Subsidiaries, associates and joint operations (continued):

The Group has the following associate over which it exercises significant influence:

Name of associate and domicile	% Holding (including indirect holding) 2019	2018	Principal activities
Depa Plc, Dubai, UAE ("DEPA") (formerly Depa Limited)	24.329%	24.329%	Luxury fit-out of five star hotels, yachts and facilities and related services

2. Going concern

The consolidated financial information has been prepared on a going concern basis notwithstanding the fact that the Group has incurred a loss for the year ended 31 December 2019 of AED 848.7 million, had net cash used in operating activities of AED 39.7 million and net current liabilities of AED 1,004.7 million as at 31 December 2019.

At 31 December 2019, the Group had immediately available cash of AED 481 million. At 31 May 2020, unencumbered cash was AED 259 million. The Group expects to incur increased project costs due to the ongoing challenges facing the construction industry in dealing with social distancing on construction sites, which is impacting labour and staff productivity. In addition, the Covid-19 situation continues to evolve and the impact on the Group's construction sites is being closely monitored.

In performing their assessment of going concern, the Directors have considered forecast cash flows for the 13 months period from 1 June 2020 to 30 June 2021. The key assumptions included in the forecast cash flows over this period are:

- A stakeholder has committed to make available adequate financial support so as to ensure the business continuity of the Group as a going concern for a period of 12 months from the signing of the financial statements;
- The Group has a number of secured financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. The Group is currently not in compliance with its financial covenants (see note 22). Securing waivers for covenant breaches as at 31 December 2019 and re-profiling debt repayments has been assumed based on discussions with lenders to date;
- In addition to obtaining covenant waivers for its financial covenants, the Group is required to repay amounts under its financing arrangements when they come due, which amount to AED 324 million of borrowings by 30 June 2021, based on the amounts drawn under the Group's borrowings as at the date of these results.
- the operational and commercial closeout of ongoing projects in line with forecast resulting in a cash outflow of AED 1,063 million;
- the successful resolution of disputes pertaining to projects completed more than 12 months ago resulting in a cash outflow of AED 396 million after the settlement of subcontractors relating to these projects (Note 39);
- the collection of outstanding receivables relating to projects completed in the past 12 months and the associated payments to subcontractors resulting in a cash outflow of AED 41 million;
- cost mitigation measures for the reduction of overheads in line with the Board of Director's approved plan;

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

2. Going concern (continued)

- managing working capital commitments to achieve cash flows to mitigate timing differences between forecast cash receipts from completed and ongoing projects and the associated payments to subcontractors and supply chain;
- securing tenders contributing to a net cash inflow in the period of AED 120 million;
- achieving gross margins ranging between 6.00% and 10.00% on the assumed tender successes; and
- no liquidated damages crystalising as explained in key judgements in Note 5.

Consistent with conditions being experienced across the industry, the uncertainty due to turmoil in the oil and gas market further worsened by the impact of COVID-19 may materially affect these assumptions, particularly the timing of financing, new contract awards and our ability to meet project milestones. At the date of approval of these financial statements, our projects continue to operate and have been moderately affected by lockdown and social distancing measures in the UAE so far. If the pandemic increases in magnitude and duration, the continuation of these circumstances could result in an even broader economic downturn which could have a prolonged negative impact on the Group's financial results. Notwithstanding the measures implemented by the Group to prevent and/or detect the virus, the variety of possible outcomes related to the course of the pandemic and its adverse impact on the regional and global economy represents a material uncertainty.

The Directors remain confident that the timing and realisation of these assumptions are reasonable and reflect their assessment of the most likely outcome. However, the timing and realisation of these matters is not wholly within management's control.

The Directors have concluded that, in aggregate, such matters beyond management's control represent a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Significant disruption to the timing or realisation of the anticipated cash flows could result in the business being unable to realise its assets and discharge its liabilities in the normal course of business.

On this basis, the directors are confident that, notwithstanding the material uncertainty discussed above, the Group will have adequate resources to continue in operational existence for the foreseeable future and therefore the going concern basis of accounting remains appropriate.

3. Application of new and revised International Financial Reporting Standards (IFRS)

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

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".

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 below. Also, 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 Group is 1 January 2019.

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group does not restate any comparative information. Instead, the group recognised a right to use the leased asset equal to the lease liability, which is equivalent to the present value of the future lease payments plus directly attributable costs and is amortised over the useful life.

Impact of the new definition of a lease

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 based on 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).

Impact on Lessee Accounting

Former operating leases

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

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

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.

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.

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Impact on Lessee Accounting (continued)

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases:

a. The Group has applied use a single discount rate to its portfolio of leases given that its leases have reasonably similar characteristics.

b. The Group has excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

c. The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

d. The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

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.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the year 31 December 2019.

Impact on profit or loss

	31 December 2019 AED'000
Increase in depreciation and amortisation expense	**12,864**
Increase in finance costs	**5,271**
Decrease in other expenses	**(15,011)**
Increase in loss for the year	**3,124**

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Financial impact of initial application of IFRS 16 (continued)

Impact on statement of cash flows

	31 December 2019 AED'000
Cash flows from operating activities	
Operating lease payments	**15,011**
Net cash flows generated from operating activities	**15,011**
Cash flows from financing activities	
Payment of principal portion of lease liabilities	**(9,740)**
Finance costs paid	**(5,271)**
Net cash flows used in financing activities	**(15,011)**

Impact on assets, liabilities and equity as at 1 January 2019

	As previously reported AED'000	Adjustments AED'000	As restated AED'000
Right-of-use assets	-	113,093	113,093
Prepaid expenses included in other current assets (Note 18)	139,069	(34,946)	104,123
Net impact on total assets	**139,069**	**78,147**	**217,216**
Lease liabilities	-	78,147	78,147
Net impact on total liabilities	-	78,147	78,147
Net impact on total liabilities and equity	**-**	**78,147**	**78,147**

The application of IFRS 16 has an impact on the statement cash flows of the Group.

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Financial impact of initial application of IFRS 16 (continued)

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities as of 1 January 2019.

	AED'000
Operating lease commitments disclosed as of 31 December 2018 under IAS 17 (Note 34)	528,988
Less: short-term and low value leases recognised on a straight line basis as expense	(136,751)
Less: adjustments as a result of a different treatment of extension and termination options	(261,245)
Less: effects of discounting using the Group's incremental borrowing rate as at 1 January 2019	(52,845)
Lease liability recognised as at 1 January 2019	**78,147**
Of which are:	
Current lease liabilities	6,800
Non-current lease liabilities	71,347
	78,147

The associated right-of-use assets were measured on a modified retrospective basis. Right-of-use assets are measured at the amount equal to the lease liability, further adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position as at the reporting period. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Impact on segment disclosures

The change in accounting policy increased segment assets and liabilities as at 31 December 2019 and reduced net results for the period then ended. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities.

The following segments were affected by the change in policy:

	Net results AED'000	Segment assets AED'000	Segment liabilities AED'000
Building	(846)	55,288	25,390
Economic and social infrastructure	(739)	35,183	35,059
Industrial	(1,539)	29,687	27,887
	(3,124)	120,158	88,336

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Financial impact of initial application of IFRS 16 (continued)

Summary of impact of the adoption of IFRS 16:

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.

The application of IFRS 16 has the following impact on the statement cash flows of the Group.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of operating activities); and
- Cash payments for the principal portion for leases liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by AED 15,009 thousand and net cash used in financing activities increased by the same amount.

  The adoption of IFRS 16 does not have any net impact on the cash flow.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

3.2 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* The Annual Improvements include amendments to four Standards.	1 January 2019
IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019
IFRS 3 Business Combinations The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	1 January 2019
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.

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

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

3.3 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 consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity'.	1 January 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* 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'.	1 January 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* 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.	1 January 2020
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.

4. Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

4. Summary of significant accounting policies (continued)

4.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRSs as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention, except for the following:

- certain financial assets and liabilities - measured at fair value.
- defined benefit pension plans - plan assets measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4.2 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statement of the Group and its subsidiaries (Note 1) as at 31 December 2019. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all the relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual agreements; and
- Any additional facts and circumstances that indicate that the Group 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

4. Summary of significant accounting policies (continued)

4.2 Basis of consolidation (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair' value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the investee acquired in the case of a bargain purchase, the difference is recognised directly within profit and loss in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations arising from transfers of interests in entities that are under the control of the owners of the Group are accounted using predecessor accounting. The assets and liabilities acquired are recognised at the carrying amounts on the date of acquisition and no adjustments are made to reflect the fair values. Any difference between the consideration given for the acquisition and carrying value of assets and liabilities acquired is recognised directly in equity. No goodwill is recognised as a result of the combination.

(b) Loss of control

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained, with the change in the carrying amount recognised in consolidated income statement;
- Recognises any surplus or deficit in consolidated income statement; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate.

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

4. Summary of significant accounting policies (continued)

4.3 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 entity 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.

4.4 Investments in joint ventures

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

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

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

4. Summary of significant accounting policies (continued)

4.4 Investments in joint ventures (continued)

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the investment in a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture 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 the equity method is discontinued.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4.5 Investment in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised within profit and loss in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

4. Summary of significant accounting policies (continued)

4.5 Investment in associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within impairment losses in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised within profit and loss in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises only retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

The financial statement of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

4.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within `finance income or costs'. All other foreign exchange gains and losses are presented within `other income' in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified at fair value through other comprehensive income, are included in other comprehensive income.

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

4. Summary of significant accounting policies (continued)

4.6 Foreign currency translation (continued)

(c) Group entities

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

4.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the consolidated income statement during the financial period in which they are incurred.

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

Type of assets	Years
Plant, machinery and office equipment	3 to 15
Vehicles	5 to 7
Labour camps and buildings	10 to 20
Furniture	5
Scaffolding, cabins and tunnel forms	3 to 7

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the periods of the leases.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

4. Summary of significant accounting policies (continued)

4.7 Property, plant and equipment (continued)

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the consolidated income statement.

Specific borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expense in the consolidated income statement in the period in which they are incurred.

4.8 Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated income statement in the period in which it is incurred.

Subsequently, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 10 to 20 years. All subsequent additions are depreciated over the remaining useful lives of investment properties. Land is not depreciated.

Investment properties are derecognised when either they have been disposed of 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 investment properties are recognised in the consolidated statement of comprehensive income in the year of retirement or disposal.

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

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

4. Summary of significant accounting policies (continued)

4.9 Intangible assets

(a) Goodwill

Goodwill arises on business combinations and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(b) Intangibles assets (excluding goodwill)

Separately acquired intangibles assets are shown at historical cost less accumulated amortisation. The cost of intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets having a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate their cost to their estimated residual values over their estimated useful lives, as mentioned overleaf:

	Years
Arabtec brand	30
Customer contracts	10
Other intangibles	5- 10

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised within the consolidated income statement when the asset is derecognised.

4.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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

4. Summary of significant accounting policies (continued)

4.10 Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of one to five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

4.11 Financial instruments

Financial assets and financial liabilities are recognised in the Group’s 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 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

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.

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

Amortised cost and effective interest method

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.

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.

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 gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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.

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

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade and other receivables, lease receivables, due from customers on construction contracts, retention receivables, 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 recognises lifetime ECL for trade receivables, due from customers on construction contracts (contract assets), lease receivables and related party balances. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience of the debtor, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(1) The financial instrument has a low risk of default;
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) 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.

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

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.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset 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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Financial liabilities

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

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

Financial liabilities measured subsequently at amortised cost

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

4.12 Non-current assets classified as held for sale

Assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and management expect to complete the sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

4.13 Inventories

Inventories comprise raw materials, stores and spares and work in progress and are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated oil the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

4. Summary of significant accounting policies (continued)

4.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

4.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, and the related income tax effects, is included in equity attributable to the Company's equity holders.

4.16 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in provisions due to the passage of time are recognised as interest expense. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

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 under it.

4.17 Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

4. Summary of significant accounting policies (continued)

4.18 Borrowing costs

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

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 consolidated income statement in the period in which they are incurred.

4.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns With respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities, Deferred income tax is recognised, using, the liability method, on temporary differences arising between the lax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

4. Summary of significant accounting policies (continued)

4.19 Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.20 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis – unless the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

4.21 Employees' end of service benefits

A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the reporting date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

Actuarial gains and losses arising from experience adjustments and changes in assumptions are charged or credited to equity in the other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in consolidated statement of income.

The defined benefit liability comprises the present value of the defined benefit obligations using a discount rate based on market yield rates. The Group has not allocated any assets to such plans.

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.

4.22 Revenue recognition

The application of the new standard requires management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty.

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

4. Summary of significant accounting policies (continued)

4.22 Revenue recognition (continued)

The following specific recognition criteria must also be met before revenue is recognised:

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

1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- 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 Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

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

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

4. Summary of significant accounting policies (continued)

4.22 Revenue recognition (continued)

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

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for as a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

4.23 Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can the allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the Customer under the terms of the contracts.

Costs that cannot he related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

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

4. Summary of significant accounting policies (continued)

4.23 Contract costs (continued)

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer. The costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred. If those costs are explicitly chargeable to the customer regardless of whether the contract is obtained, the Group recognises the incremental costs of obtaining a contract as an asset.

Fulfilment costs

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, an entity recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

a. The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
b. The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
c. The costs are expected to be recovered under the terms of the contract with the customer.

4.24 Provision for maintenance expenses

The Group generally offers a one year warranty for defects on work carried out during the contractual defects liability period and does not provide extended warranties or maintenance services in its contracts with customers. Management estimates the related provision for the costs associated with rectifying defects based on historical information, as well as recent trends that might suggest that past cost information may differ from future defects costs. These costs are included in estimated contract costs. As such, the Group expects that such defects costs will be assurance-type warranties which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its current practice.

4.25 Leases

Accounting policy with respect to leases adopted from 1 January 2019

The Group as lessee

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.

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

4. Summary of significant accounting policies (continued)

4.25 Leases (continued)

Accounting policy with respect to leases adopted from 1 January 2019 (continued)

The Group as lessee (continued)

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 revised 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.

The Company made an adjustment during the period arising from the changes in lease payments agreed with the lessor.

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 separately in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

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

4. Summary of significant accounting policies (continued)

4.25 Leases (continued)

Accounting policy with respect to leases adopted from 1 January 2019 (continued)

The Group as lessee (continued)

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, IFRS 16 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 lessor

The Group enters into lease agreements as a lessor with respect to some of machinery and equipment.

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. 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.

Accounting policies with respect to leases applied until 31 December 2018

The determination of whether an arrangement is or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. 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.

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

4. Summary of significant accounting policies (continued)

4.25 Leases (continued)

Accounting policies with respect to leases applied until 31 December 2018 (continued)

The Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if' lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.26 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

5. Critical judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.1 Critical judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue recognition

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

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Company performs;
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) 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.

(b) Judgements in determining the timing of satisfaction of performance obligations

The Group generally recognise revenue over time as it performs continuous transfer of control of good/services to the customers. Because customers simultaneously receives and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation. In determining the method for measuring progress for these POs, we have considered the nature of these goods and services as well as the nature of its performance.

(c) Contract variations

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

At the reporting date, management has recorded unapproved variations to the extent they will not result in significant reversal of revenue in subsequent period. This assessment is done based on the past history of agreeing variations and the probability of expected outcome from current on-going discussions with the employers, as well as the fact that unapproved variations are supported by the client appointed engineer's instructions.

(d) Contract claims

A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from, for example, customer caused delays, prolongation cost, cost of acceleration of project, program errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer or the customer's representative, there is a clear contractual entitlement, and or negotiations have reached a stage that it is highly probably that a significant reversal of revenue will not occur.

As at 31 December 2019, the balance of due from customers on construction contracts includes AED 682.4 million (2018: AED 398.6 million) that pertains to unapproved contract claims (Note 14).

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.1 Critical judgments (continued)

(e) Impairment of financial assets and due from customers on construction contracts

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

At the reporting date, gross trade, contract and other receivables, contract retentions and gross amounts due from customer on construction contracts amounted to AED 5,615,837 thousand (2018: AED 5,911,028 thousand), and the expected credit loss allowance was AED 477,867 thousand (2018: AED 336,257 thousand) as set out in Note 13. Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the consolidated income statement in that period.

(f) Recording of contra charges

A contra charge is where the amount of a claim is deducted from another liability. Being a main contractor, the Group incurs costs on behalf of its subcontractors such as direct payments to suppliers of subcontractor and/or provision of Group’s resources to assist with work completion. These contra charges are deducted by the Group on the payment certificates of its subcontractors. The right to set off the claim against the liability arises only by agreement of both parties involved. Furthermore, the measurement of the amounts arising from claim is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, the claims are recorded and offset against liabilities only when the amount has been accepted by the subcontractor and / or negotiations have reached at an advanced stage such that the contra charge that would be agreed by the subcontractor can be measured reliably.

(g) Liquidated damages

The Group provides for liquidated damages where there have been significant delays against defined contractual delivery dates or contractual milestones and it is considered probable that the customer will successfully pursue these penalties. This requires management to estimate the amount of liquidated damages payable under the contract based on a combination of an assessment of the contractual terms, the reasons for any delays and evidence of cause of the delays to assess who is liable under the contract for the delays and consequently whether the Group is liable for the liquidated damages or not. Furthermore, there is an assessment by management of any liquidated damages, which can be recovered against subcontractors or the supply chain due to late delivery against contractual delivery dates, or milestones which are the direct cause of the delays under the contract with the customer and which the supply chain is liable for. In making this judgement, management considered the following:

- The outcome of ongoing constructive discussions with the customer regarding certain key delivery dates and how the delays to the progress of works can be mitigated without impacting any related contractors or any other project activity which minimises the risk of these related contractors pursuing contract claims against the customer, which the customer would in turn seek to recover; and
- The outcome of the discussions to date with the customers due to which management believes the risk of liquidated damages being levied has been mitigated.

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.1 Critical judgments (continued)

(h) Impairment of non-financial assets

The Group assesses goodwill and intangibles with indefinite useful life for impairment annually and other assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets ('cash generating unit' or 'CGU'). An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

The Group records all assets and liabilities acquired in purchase acquisitions, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment analysis require management to make subjective judgements concerning the recoverable amount of cash-generating units, specifically in relation to cash flows, profit margins on revenues and discount rate. At 31 December 2019, the carrying value of goodwill amounted to AED 248.7 million (2018: AED 248.7 million).

The group assesses that the CGUs with a material amount of allocated goodwill, and therefore containing significant judgment and estimation uncertainty, are Target Engineering Construction Company LLC ('Target') and Arabtec Construction LLC ('Arabtec').

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. The Group has not calculated the fair value of the CGUs as part of the goodwill impairment assessment.

Determining an estimation of value in use of the CGU requires the estimation of future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value of expected future cash flows. These calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period which is the primary source of information for the determination of the value in use.

Revenue for the five-year period and the revenue growth rate beyond that period is determined based upon past performance and management expectations of future market development which includes various assumptions relating to market outlook, contract awards and contract margins. As at 31 December 2019, the Group's pipeline of opportunities amounts to AED 66 billion.

The bid pipeline comprises a mixture of opportunities in the infrastructure, industrial, residential and oil and gas market sectors and management have made various assumptions relating to the timing, expected values and the probable outcome of these prospective awards. These assumptions are based on medium-term forecasts for the construction and engineering industry, macro-economic factors, opportunities and market insights obtained from bidding activities. A change in management assumptions relating to the bid pipeline and outlook could result in the goodwill, property, plant and equipment and/or intangible assets being impaired.

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.1 Critical judgments (continued)

(h) Impairment of non-financial assets (continued)

A discount rate of 13% for Arabtec, and 11.52% for Target, is used to discount the pre-tax cash flow projections of each respective CGU to the present value. In determining the appropriate discount rate, the Group considers the weighted average cost of capital employed, which takes into consideration the risk free rate of government bonds with a long-term maturity period, the UAE inflation rate, the equity risk premium on the entities operating from the UAE, the Group's beta and the cost of Group's debt. The following are the key assumptions:

- Discount rate – 13.% for Arabtec and 11.52% for Target
- Gross profit margin – based on historical average for Arabtec and Target
- Overheads as a percentage of revenue in the terminal year – 1.75% for Arabtec and 2.00% for Target
- Terminal value growth rate – 2.50% for both Arabtec and Target

In determining the terminal value growth rate, the Group considers the long-term average CPI growth rate for the UAE which is interpreted to be equal to 2.50%.

A change in the assumptions used by management, in particular the gross profit margin and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Please refer to Note 9 for impairment assessment of and goodwill including the sensitivities on the above assumptions.

(i) Employees' end of service indemnity

The cost of the end of service benefits and the present value of these benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually. Further details about the assumptions used and sensitivity analysis are given in Note 25.

(j) 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).

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.2 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 below:

(a) Cost-to-cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires 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 period in which the estimates are revised. When the expected contract costs exceeds the total anticipated 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 team 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, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(b) Project cost to complete estimates

At the end of each reporting period, the Group is required to estimate costs to complete contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the end of the reporting period. The Group uses internal quantity surveyors together with project managers to estimate the costs to complete for construction contracts. Factors such as changes in material prices, labour costs, defects liability costs and other costs are included in the contract cost estimates based on best estimates of the contract progress and remaining works at the year-end. These estimates also include the cost of potential claims by contractors and the cost of meeting other contractual obligations to the customers.

(c) 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.

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 Group would expect to receive.

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.

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

5. Critical judgments and key sources of estimation uncertainty (continued)

5.2 Key sources of estimation uncertainty (continued)

(d) Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"), due to the absence of implicit rates in the lease contracts.

Management has applied judgments and estimates to determine the IBR at the commencement of lease, using borrowing rates that certain financial institutions would charge the Group against financing the different types of assets it leased over different terms and different ranges of values. Majority of the leases are present in the UAE and accordingly no adjustment for the economic environment was deemed required.

(e) Defects liability period and provision for maintenance

The Group provides a one-year defects liability commitment to customers from the date of handover of the project. These are assurance-type warranties and not sold separately. Management's estimates of the related provision to record for future cost of rectifying any defects is based on historical experience of costs incurred in providing maintenance services as well as recent trends that might suggest that past cost may not be an accurate measure of potential future costs.

(f) Joint operations

The Group reports its interests in jointly controlled entities as joint operations when the Group has direct right to the assets, and obligations for the liabilities, relating to an arrangement. In this case it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. Management has evaluated its interests in joint arrangements and has concluded them to be joint operations.

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

6. Property, plant and equipment

	Land AED'000	Leasehold improvements AED'000	Plant, machinery and office equipment AED'000	Vehicles AED'000	Labour camps and buildings AED'000	Furniture AED'000	Scaffolding, cabins and tunnel forms AED'000	Properties under construction AED'000	Total AED'000
Cost or valuation									
At 1 January 2018	48,031	6,242	1,162,349	220,105	572,150	140,896	156,585	48,697	2,355,055
Additions	5,396	60	29,086	3,139	4,023	4,984	9,545	4,065	60,298
Transfers	-	-	521	-	36,413	3,870	-	(40,804)	-
Disposals	-	-	(73,489)	(37,197)	(10,042)	(2,399)	(494)	(21)	(123,642)
At 31 December 2018	53,427	6,302	1,118,467	186,047	602,544	147,351	165,636	11,937	2,291,711
Additions	-	-	35,276	1,094	1,828	2,195	1,359	152	41,904
Transfers	-	-	23	-	-	229	-	(252)	-
Disposals	-	-	(19,284)	(11,502)	(23,857)	(2,439)	1,814	96	(55,172)
At 31 December 2019	**53,427**	**6,302**	**1,134,482**	**175,639**	**580,515**	**147,336**	**168,809**	**11,933**	**2,278,443**
Accumulated depreciation									
At 1 January 2018	-	1,962	900,911	182,243	314,304	117,054	84,188	-	1,600,662
Charge for the year	-	243	70,628	10,779	56,010	13,899	17,001	-	168,560
Eliminated on disposals	-	-	(70,878)	(37,040)	(5,610)	(2,363)	(494)	-	(116,385)
At 31 December 2018	-	2,205	900,661	155,982	364,704	128,590	100,695	-	1,652,837
Charge for the year	-	117	83,461	13,451	34,385	11,917	16,798	-	160,129
Eliminated on disposals	-	-	(18,233)	(9,449)	(13,478)	(2,100)	(3,459)	-	(46,719)
At 31 December 2019	**-**	**2,322**	**965,889**	**159,984**	**385,611**	**138,407**	**114,034**	**-**	**1,766,247**
Carrying amount									
At 31 December 2019	**53,427**	**3,980**	**168,593**	**15,655**	**194,904**	**8,929**	**54,775**	**11,933**	**512,196**
At 31 December 2018	53,427	4,097	217,806	30,065	237,840	18,761	64,941	11,937	638,874

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

6. Property, plant and equipment (continued)

The depreciation charge has been allocated in the consolidated income statement to direct costs and general and administrative expenses as follows:

	2019 AED'000	2018 AED'000
Direct costs	**146,971**	159,911
General and administrative expenses (Note 29)	**13,158**	8,649
	160,129	168,560

7. Right-of-use asset

	Land AED'000	**Building AED'000**	**Labour camps AED'000**	**Total AED'000**
Cost				
Impact of IFRS 16 (Note 3)	102,298	9,396	1,399	113,093
Additions	-	100	19,829	19,929
At 31 December 2019	**102,298**	**9,496**	**21,228**	**133,022**
Accumulated depreciation				
Charge for the year	5,933	3,339	3,592	12,864
At 31 December 2019	**5,933**	**3,339**	**3,592**	**12,864**
Net book value				
At 31 December 2019	**96,365**	**6,157**	**17,636**	**120,158**

The Group leases several assets including land, building and labour camps. The average lease term are as follows:

	Number of years
Land	1 to 43 years
Building	1 to 10 years
Labour camps	1 to 38 years

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

8. Investments properties

	2019 AED'000	2018 AED'000
Cost		
At 1 January	**596,844**	596,844
Disposals	**(3,263)**	-
At 31 December	**593,581**	596,844
Accumulated depreciation		
At 1 January	**1,524**	1,197
Charge for the year	**27**	327
Eliminated on disposal	**(1,551)**	-
At 31 December	**-**	1,524
Net book value	**593,581**	595,320

The Group's investment properties consist of the following:

- Land in Dubai, UAE amounting to AED 568 million (2018: AED 568 million). The carrying value of the land includes incurred development costs of AED 88 million.

  At 31 December 2019, management is working with an external party on the development plan of the property. No impairment provision was recorded as management is confident that the recoverable amount of the property will be higher than its carrying amount based on its value-in-use. This land is pledged against the borrowing from Mashreq Bank amounting to AED 353 million (2018: AED 250 million).

- Land in Al Ain, UAE amounting to AED 25 million (2018: AED 25 million), management has classified this land as investment property and is currently held for appreciation in the value. The fair value of the land is not expected to be materially different from the carrying value as at 31 December 2019.

- Villas in Abu Dhabi, UAE designated for rental activities and accordingly, classified as investment properties. These villas were sold during the year.

9. Intangible assets

Intangible assets comprise:

	2019 AED'000	2018 AED'000
Goodwill	**248,741**	248,741
Other intangible assets	**15,000**	16,000
	263,741	264,741

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

9. Intangible assets (continued)

The other intangible assets represents the Arabtec brand. The Arabtec brand value is amortised over the expected period of 30 years, following which continuing brand value will be deemed to have been internally generated and not recognisable as an asset under IFRS.

	Arabtec brand AED'000	Customer contracts AED'000	Other intangibles AED'000	Total AED'000
Cost				
At 1 January 2018, 31 December 2018, and 31 December 2019	**110,000**	**195,056**	**8,999**	**314,055**
Accumulated depreciation				
At 1 January 2018	93,000	195,056	8,999	293,503
Charge for the year (Note 29)	1,000	-	-	1,000
At 31 December 2018	94,000	195,056	8,999	298,055
Charge for the year (Note 29)	1,000	-	-	1,000
At 31 December 2019	**95,000**	**195,056**	**8,999**	**299,055**
Net carrying amount				
At 31 December 2019	**15,000**	**-**	**-**	**15,000**
At 31 December 2018	16,000	-	-	16,000

Goodwill acquired through business combinations has been allocated for impairment testing purposes to five cash-generating units ("CGUs"), as per the table below, which are also operating segments. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The goodwill allocated to Emirates Falcon Electro Mechanical Co. (LLC), Gulf Steel Industries FZC and Idrotec Srl is not considered to be material to the Group individually or in aggregate and therefore disclosures have only been included for the Arabtec Construction LLC ('Arabtec') and Target Engineering Construction Company LLC ('Target') CGUs in this note.

(a) Goodwill arising on acquisition

	2019 AED'000	2018 AED'000
Arabtec Construction LLC	**87,963**	87,963
Emirates Falcon Electro Mechanical Co. (LLC)	**9,086**	9,086
Target Engineering Construction Company LLC	**134,945**	134,945
Gulf Steel Industries FZC	**14,842**	14,842
Idrotec Srl	**1,905**	1,905
	248,741	248,741

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

9. Intangible assets (continued)

(a) Goodwill arising on acquisition (continued)

Management has carried out an impairment test of goodwill at the year-end using an external expert and has concluded that no impairment exists as of 31 December 2019 (2018: Nil). For this purpose, the recoverable amount of each CGU has been estimated, and is based on a value-in-use calculation using cash flow projections approved by the board and covering a five year period. Cash flows beyond the five year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industries in which the CGU's operate.

(i) Key assumptions used for calculation of value-in-use

The calculation of value-in-use is sensitive to the following assumptions:

- Discount rate;
- Gross profit margin;
- Overheads as a percentage of revenue;
- Terminal value growth rate; and
- Working capital days

Discount rate: The future cash flows are discounted using a discount rate adjusted for risks specific to the CGU. The discount rate is derived from the Group's post-tax weighted average cost of capital ("WACC") and is adjusted where applicable to take into account any specific risks relating to the CGU. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. The discount rates applied in the impairment assessment are 13% for Arabtec and 11.52% for Target (2018: 11.83% for Arabtec and 11.76% for Target).

Gross profit margin: The gross profit margin estimates applied to future assumed projects are based on the assumption of achieving a stabilised level of performance based on the contracts in hand and expected orders. The effect of changes in economic conditions and the level of activity in the construction industry would impact the profit margins. The gross profit margins applied in the impairment assessment on future projects are based on historical average for both Arabtec and Target.

Overheads as a percentage of revenue: The overheads as a percentage of revenue estimate applied to future assumed cash flows are based on the current program of controlling general and administrative expenses across the Group which is expected to continue and stabilise in the future. The effect of changes in economic conditions and the level of activities in each CGU would impact the level overheads as a percentage of revenue. The overheads as a percentage of revenue applied in the impairment assessment on future cash flows in the terminal year cash flow is 1.75% for Arabtec and 2% Target (2018: 2% for both Arabtec and Target).

Terminal value growth rate: The estimate is based on the long-term average expected CPI growth rate and considering the forecasted growth rates in the industry and historical performance of each CGU. The terminal growth rate applied in the impairment assessment to the terminal cash flows is 2.50% for both Arabtec and Target (2018: no terminal value growth rate was applied in Arabtec or Target).

Working capital days: Management has estimated that working capital days for 2020 to 2024 for Arabtec will be on average 135 receivable days and 207 payable days considering the settlement of receivables and payables for disputed, completed and ongoing projects, which have been estimated to take longer than contractual terms to settle. In the terminal year of the value in use model, management have assumed a neutral working capital position.

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

9. Intangible assets (continued)

(ii) Sensitivity to changes in assumptions

At 31 December 2019, the Arabtec and Target recoverable amounts exceeded their carrying amounts by AED 384.8 million and AED 830.3 million (2018: AED 1,412.3 million and AED 316.2 million), respectively.

With regard to the assessment of value-in-use, management believes that the following are reasonable possible changes in key assumptions, which have the following impact on the amounts by which the recoverable amount exceeds the carrying amount:

	Reduction in recoverable amounts		
	Arabtec AED'000	**Target AED'000**	**Total AED'000**
1.00% increase in discount rate	224,644	198,220	422,864
1.00% decrease in gross profit margin	494,989	257,258	752,247
0.50% increase in overheads as a percentage of revenue	247,493	120,033	367,526
0.50% decrease in terminal value growth rate	79,802	77,440	157,242

With regard to the assessment of value-in-use, management believes that the following possible change in the key assumptions would give rise to an impairment:

	Arabtec	**Target**
Increase in discount rate	1.9%	6.7%
Decrease in gross profit margin	0.78%	3.22%
Increase in overheads as a percentage of revenue	0.78%	3.22%
Decrease in terminal value growth rate	N/A	N/A

10. Investment in an associate

At 31 December, the Group's investment in an associate comprise:

	2019 AED'000	2018 AED'000
DEPA Limited	**99,945**	209,328

On 21 November 2012, the Group acquired shares in DEPA Limited ("DEPA") for AED 241,706 thousand representing a 24.329% interest in the DEPA's share capital upon acquisition. The investment in DEPA was classified as an associate as the Group obtained significant influence over the operating and financial policies of DEPA.

DEPA operates in the luxury fit-out sector, focusing primarily on hospitality, commercial and residential property developments through a combination of multiple subsidiaries, joint ventures and associates across a number of countries and market segments. DEPA operates in the Middle East, North Africa, Europe and Asia regions.

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

10. Investment in an associate (continued)

DEPA is listed in the Dubai International Financial Center (DIFC) on the NASDAQ Dubai. Management has recognised the Group's share of loss in this associate amounting to AED 106,724 thousand (2018: profit of AED 8,795 thousand) and the Group's share of other comprehensive loss in this associate amounting to AED 2,659 thousand (2018: nil) using the published financial information for the year ended 31 December 2019. The Group has not recognised dividend from associate (2018: AED 23,331 thousand).

11. Other non-current assets

On 17 December 2014, the Group entered into an agreement to lease a labour camp in Abu Dhabi for a period of 10 years commencing from 1 January 2016, where the Group paid an advance of AED 370 million.

The Group entered into an amendment agreement in June 2018, which effectively cancelled the lease, and further amended the same agreement in November 2019 to include the following terms:

- that the camp owner would reimburse AED 170 million to the Group to be paid in accordance with a payment plan;
- AED 100 million of the advance would be set off against the costs of camp hire for the period the camp was utilized from 2016 to 2018;
- a fee of AED100 million for an option to use the labour camp for 10 years at 15% lower than prevailing market rates at the time of exercising the option, which can be reassigned to any other party.

As at 31 December 2019, the balance represent the outstanding advance amounts due from the camp owner of AED 133.5 million (2018: AED 154.5 million, of which AED 21 million is classified as current) and the discounted option fee amounting to AED 77.5 million (2018: AED 100 million).

12. Income tax

The Group is subject to taxation on its operations except in the United Arab Emirates and Bahrain. Income in countries of operations is subject to tax at rates ranging between 5% and 34%.

(a) Income tax recognised in the consolidated income statement

	2019 AED'000	2018 AED'000
Tax expense comprises		
Current tax expense	**4,599**	5,796
Deferred tax income relating to the origination and reversal of temporary differences	**(125)**	(1,459)
Total income tax expense	**4,474**	4,337

The income tax expense in the income statement is at the applicable tax rate of the respective subsidiaries in the consolidated financial statements.

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

12. Income tax (continued)

(b) Deferred tax balances

Deferred tax assets arise from temporary differences on property, plant and equipment as follows:

	2019 AED'000	2018 AED'000
Opening balance	**5,282**	3,823
Reversal during the year (Note 29)	**(4,687)**	-
Impact on the consolidated statement of income	**125**	1,459
Closing balance	**720**	5,282

Deferred tax assets are considered non-current.

(c) Income tax payable

	2019 AED'000	2018 AED'000
Current tax liability		
As at 1 January	**12,866**	19,910
Current tax expense	**4,599**	5,796
Taxes paid during the year	**(6,929)**	(12,840)
As at 31 December	**10,536**	12,866

13. Trade and other receivables

	Current		**Non-current**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Trade receivables	**54,810**	55,462	**-**	-
Contract receivables	**1,810,358**	1,830,731	**-**	-
	1,865,168	1,886,193	**-**	-
Retentions receivable	**848,559**	844,153	**563,790**	538,754
Expected credit loss allowance	**(474,621)**	(334,521)	**(3,246)**	(1,736)
	2,239,106	2,395,825	**560,544**	537,018

Contract receivables represent amounts due from customers for construction work rendered by the Group and certified by the customers' consultants.

Retentions receivable represent amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be released upon fulfilment of contractual obligations.

The balance of contract receivables includes two customers' balances totalling AED 211 million (2018: AED 335 million) individually representing more than 5% of the total balance of contract receivables.

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

13. Trade and other receivables (continued)

A provision has been made for the estimated impairment amounts of trade, contract and retention receivables of AED 478 million (2018: AED 336 million). This provision has been determined based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Movement in the expected credit loss allowance against trade and other receivables is as follows:

	2019	2018
	AED'000	AED'000
At 1 January	**336,257**	265,382
Cumulative effect of first time adoption of IFRS 9	**-**	112,679
Provision made during the year	**145,300**	1,075
Write-off during the year	**(3,690)**	(33,854)
Reversal of provision during the year	**-**	(9,025)
At 31 December	**477,867**	336,257

The provision for the year has been allocated in the consolidated income statement to direct costs and general and administrative expenses as follows:

	2019	2018
	AED'000	AED'000
Cumulative effect of first time adoption of IFRS 9 against retained earnings	**-**	112,679
Direct costs	**84,259**	-
General and administrative expenses (Note 29)	**61,041**	1,075
	145,300	113,754

Contract and trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 4.11.

At 31 December 2019, contract receivables of AED 611,597 thousand (2018: AED 459,657 thousand) were fully performing.

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

13. Trade and other receivables (continued)

Contract and trade receivables (continued)

Ageing of past due but not impaired balances:

	2019 AED'000	2018 AED'000
Past due for less than 3 months	**425,667**	532,988
Past due for more than 3 months	**487,283**	501,829
	912,950	1,034,817

In determining the recoverability of contract and trade receivables, the Group considers any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The project directors also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the Board of Directors of the Group believe that there is no further credit provision required in excess of the current expected credit loss allowance disclosed above.

At the reporting dates, the details of the risk profile of the Group's trade, contract and retentions receivables are as follows:

	2019 AED'000	2018 AED'000
Non-credit impaired		
Estimated total gross carrying amount at default	**2,936,294**	2,679,483
Lifetime ECL	**(257,436)**	(131,934)
Estimated total net carrying amount at default	**2,138,858**	2,547,549
Credit impaired		
Estimated total gross carrying amount at default	**881,223**	589,617
Lifetime ECL	**(220,431)**	(204,323)
Estimated total net carrying amount at default	**660,792**	385,294
Total		
Estimated total gross carrying amount at default	**3,277,517**	3,269,100
Lifetime ECL	**(477,867)**	(336,257)
Estimated total net carrying amount at default	**2,799,650**	2,932,843

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

13. Trade and other receivables (continued)

Contract and trade receivables (continued)

Estimated total gross carrying amount includes:

	2019 AED'000	2018 AED'000
Trade receivables	**54,810**	55,462
Contract receivables	**1,810,358**	1,830,731
Retention receivables	**1,412,349**	1,382,907
	3,277,517	3,269,100

Credit impaired net receivable exposure can be classified into two categories as set out below:

	2019 AED'000
Currently in legal dispute (Note 39)	**665,391**
Completed more than 12 months ago	**161,285**
	826,676

Net receivable exposure includes certified receivables, retention receivables and due from customers on construction contracts, net of advances from customers and expected credit loss allowance.

14. Due from/to customers on construction contracts

	2019 AED'000	2018 AED'000
Due from customers on construction contracts	**2,338,320**	2,641,928
Due to customers on construction contracts	**(233,702)**	(66,455)
	2,104,618	2,575,473
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**37,123,319**	41,344,875
Less: Progress billings	**(35,018,701)**	(38,769,402)
At 31 December	**2,104,618**	2,575,473

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on discounted cash flows discounted. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

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

14. Due from/to customers on construction contracts (continued)

Significant changes in the gross amounts due from customers and gross amounts due to customers on construction contracts balances during the year are as follows:

	2019 AED'000	2018 AED'000	**Variance AED'000**
Due from customers on construction contracts	**2,338,320**	2,641,928	(303,608)
Due to customers on construction contracts	**(233,702)**	(66,455)	(167,247)
	2,104,618	**2,575,473**	**(470,855)**

Significant changes are as follows:

	Variance AED'000
Conversion to contract receivables	**(8,141,464)**
Revenue recognition (Note 27)	**7,670,609**
	(470,855)

As at 31 December 2019, the balance of due from customers on construction contracts includes AED 682.4 million (2018: AED 398.6 million) that pertains to unapproved contract claims (Note 4).

15. Other financial assets

	Current		**Non-current**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Financial assets at fair value through other comprehensive income				
Unquoted equity shares	**-**	-	**17,282**	17,282
Financial assets at amortised cost				
Fixed deposits under lien	**64,997**	80,843	**-**	-
Margin deposits	**109,982**	124,870	**-**	-
	174,979	205,713	**-**	-
	174,979	205,713	**17,282**	17,282

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

15. Other financial assets (continued)

Unquoted equity shares include an investment in Al Waab City project, Qatar. As the fair value of this investment cannot he reliably determined, it is carried at cost less provision for impairment of AED 1,110 thousand (2018: AED 1,110 thousand). The Group intends to hold this investment for future growth or until an appropriate exit is available.

Fixed deposits under lien and margin deposits include the deposits held against bank facilities and labour visas.

16. Inventories

	2019 AED'000	2018 AED'000
Other construction materials	**57,386**	75,027
Steel inventories required for specific projects	**7,439**	9,344
Ready mix concrete and other related materials	**6,099**	6,172
Work in progress	**-**	42,738
	70,924	133,281
Less: Provision for impairment in inventories	**(2,841)**	(2,691)
	68,083	130,590

Movement in provision for impairment in inventories:

	2019 AED'000	2018 AED'000
At 1 January	**2,691**	5,620
Provision recognised during the year	**150**	50
Reversal of provision during the year	**-**	(2,979)
At 31 December	**2,841**	2,691

17. Related party transactions and balances

The Group enters into a variety of transactions with companies and entities that fall within the definition of related parties as contained in International Accounting Standard 24 *Related Party Disclosures* on mutually agreed terms. Related parties comprise the Group's shareholders who control or exercise significant influence, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel. Joint operations partners and non-controlling interests are considered by the Group as related parties. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

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

17. Related party transactions and balances (continued)

	2019 AED'000	2018 AED'000
a) Due from related parties		
Amounts due from joint operation partners	**515,976**	561,231
Shareholder	**557**	-
Other related parties		
Entities with common ownership and management		
Emirates Falcon Electro-Mechanical Company (EFECO), Kingdom of Saudi Arabia - net	**26,181**	-
Al Waab City W.L.L., Doha, Qatar	**2,552**	2,552
Arabtec - Musawa W.L.L, Bahrain	**-**	7,353
Others	**2,523**	5,024
	31,256	14,929
	547,789	576,160
b) Due to related parties		
Amounts due to joint operation partners	**390,823**	390,369
Shareholder	**-**	7,048
Associate		
Depa Plc, Dubai, United Arab Emirates	**29,086**	50,855
Other related parties		
Entities with common ownership and management		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Doha, Qatar	**29,392**	31,686
Others	**1,644**	7,071
	31,036	38,757
	450,945	487,029

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

17. Related party transactions and balances (continued)

c) The nature of significant related party transactions and the amounts involved were as follows:

	2019 AED'000	2018 AED'000
Joint operation partners		
Contract and other revenue	**37,431**	98,229
Manpower and other charges	**(42,757)**	(64,543)
Shareholders		
Contract revenue	**30,236**	23,119
Other related parties		
Contract and other revenue	**24,577**	15,943
Subcontracting costs	**-**	(10,134)

Certain contracting customers of the Group are entities controlled by the Government of the Emirate of Abu Dhabi, the Group enters into transactions with such entities in the normal course of business (providing construction services). Below here is list of all balances and transactions relating to such projects:

As at and for the year ended	**Due from customers on construction contracts AED'000**	**Certified receivables AED'000**	**Retention receivables AED'000**	**Advances received AED'000**	**Revenue AED'000**
31 December 2019	**600,914**	**341,737**	**287,325**	**456,880**	**2,452,416**
31 December 2018	991,466	403,944	382,918	523,185	2,319,156

d) The remuneration of directors and other members of key management during the year was as follows:

	2019 AED'000	2018 AED'000
Short term benefits	**11,694**	13,512
End of service indemnity	**570**	751
Remuneration to directors	**9,562**	9,200
Bonus	**10,028**	9,218

The remuneration of key executives and attendance fees of the Board of Directors are determined by the Board of Directors.

e) Included in due from customers on construction contracts is an amount of AED 2,029 thousand (2018: AED 668 thousand) due from a shareholder.

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

17. Related party transactions and balances (continued)

The Group, in the ordinary course of business, enters into various transactions including borrowings and bank deposits with financial institutions, which may be majority-owned by the Government of the Emirate of Abu Dhabi. The effect of these transactions are included in the consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions.

Cash and cash equivalents and borrowings include AED 127,127 thousand (2018: AED 324,432 thousand) and AED 555,795 thousand (2018: AED 540,181 thousand) respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has an equity stake. Finance cost include AED 25,011 thousand (2018: AED 30,582 thousand) relating to balances with these entities.

18. Other current assets

	2019 **AED'000**	2018 AED'000
Prepaid expenses	**62,865**	139,069
Due from employees	**1,695**	3,668
Others	**368,660**	146,564
	433,220	289,301

19. Cash and bank balances

Cash and cash equivalents comprise bank balances, cash and short-term deposits held by the Group, net of bank overdrafts. The details are as follows:

	2019 **AED'000**	2018 AED'000
Cash and bank balances	**531,153**	898,728
Short term bank deposits	**285,750**	370,847
Cash and bank balances	**816,903**	1,269,575
Margin deposits	**(124,502)**	(40,912)
Bank overdrafts (Note 22)	**(389,986)**	(353,765)
Cash and cash equivalents	**302,415**	874,898

Term deposits carry interest rate ranging from 1.9% to 3% (2018: 1.9% to 3%) per annum.

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.

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

20. Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid up:		
1,500,000 thousand shares of AED 1 each (2018: 1,500,000 thousand shares of AED 1 each)	**1,500,000**	1,500,000

21. Reserves

(a) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015 and the Company's Articles of Association, the Company is required to establish a statutory reserve by appropriation of a minimum of 10% of net profit for each year until the reserve equals a minimum of 50% of the share capital. This reserve is not available for distribution except in the circumstances stipulated by the Law.

In line with the Board of Directors' recommendation under UAE Federal Law No. 2 of 2015, a resolution was passed by the shareholders during the General Assembly convened on 2 June 2016 to reduce the accumulated losses by using the statutory reserve. Accordingly, statutory reserve amounting to AED 1,004,434 thousand was offset against the accumulated losses at the date of approval.

During the year ended 31 December 2019, an amount of AED nil (2018: AED 25,630 thousand) has been transferred to the statutory reserves.

As of 31 December 2019, the statutory reserve amounted to AED 155,909 thousand representing 10.4% of the issued share capital of the issued capital (2018: AED 155,909 thousand representing 10.4% of the issued share capital).

(b) Other reserves

These represent reserves created on acquisition of additional interests in certain subsidiaries.

22. Bank borrowings

	Current		**Non-current**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Bank overdrafts (Note 19)	**389,986**	353,765	**-**	-
Acceptances	**242,607**	305,755	**-**	-
Project payment certificate discounting	**23,722**	20,097	**-**	-
Trust receipts	**54,880**	97,546	**-**	-
Term loans	**900,422**	719,933	**197,826**	559,911
	1,611,617	1,497,096	**197,826**	559,911

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

22. Bank borrowings (continued)

Bank overdrafts

Bank overdrafts have been obtained from commercial banks and subject to EIBOR and KCB rates + margins of 1.5% to 5% per annum (2018: EIBOR + margins of 1.5% to 5% per annum).

Acceptances and trust receipts

Acceptances are subject to commission charges. Trust receipts are obtained from commercial banks, repayable in 180 days and subject to EIBOR and KCB + margins of 2.5% to 3.5% per annum (2018: margins of 2.5% to 3.5% per annum).

Term loans

Bank borrowings	**Purpose**	**Pricing**	**2019 AED'000**	2018 AED'000
Term loans	Support in working capital requirements	3 months EIBOR + 3% to 4% per annum	**1,098,248**	1,279,844

The term loans are repayable as follows:

	2019 AED'000	2018 AED'000
On demand or within one year	**900,422**	719,933
In the second year	**85,288**	239,013
Third year onwards	**112,538**	320,898
	1,098,248	1,279,844
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(900,422)**	(719,933)
	197,826	559,911

The above term loans are taken from commercial banks in the UAE and are repayable in monthly, quarterly and semi-annually equal instalments of various amounts.

Covenants

The bank facilities are subject to certain restrictive covenants on overall borrowings outstanding at any time, including:

- Irrevocable assignment of project proceeds to the financing banks to be confirmed by the customers.
- Irrevocable undertaking by a subsidiary to deposit the proceeds of projects financed by banks into the specific accounts maintained with the financing banks.
- Assignment of concession rights on property.
- Assignment of sub-contractors' performance bonds in favour of the financing banks for specific contracts.

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

22. Bank borrowings (continued)

Covenants (continued)

- Assignment of leasehold rights and insurance over property.
- Minimum net worth requirements.
- Maximum leverage ratio requirements.
- Corporate guarantees of subsidiaries and the Company.
- Pledge of purchased shares of other companies.

Non-current portion of the term loans have been reclassified to current as a result of the Group breaching the debt covenants of the respective loans which results in each of them becoming repayable on demand in line with the loan agreement. The Group is in discussions with the banks to obtain waivers. Please refer to Note 2.

23. Lease liabilities

	31 December 2019 AED'000	**1 January 2019 AED'000**
Current portion	**9,052**	6,800
Non-current portion	**79,284**	71,347
	88,336	78,147

Movement in lease liabilities is as follows:

	2019 AED'000
Impact of IFRS 16 (Note 3)	**78,147**
Additions during the year	**19,929**
Finance costs recognised during the year (Note 31)	**5,271**
Payments during the year	**(15,011)**
At 31 December	**88,336**

Lease liabilities recognized and maturity analysis:

	31 December 2019 AED'000	1 January 2019 AED'000
Amount due for settlement within 12 months		
Not later than 1 year (shown under current liabilities)	**9,052**	6,800
Amount due for settlement after 12 months		
Later than 1 year and not later than 5 years	**32,986**	41,215
Later than 5 years	**46,298**	30,132
	88,336	78,147

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

23. Lease liabilities (continued)

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

Amount recognized in profit or loss

	2019 AED'000
Finance costs related to lease liabilities	**5,271**

24. Retentions payable

Retentions payable represent retentions that have been withheld by the Group from payments due to sub-contractors. These amounts excluding current portion of retentions payable become due in a period exceeding one year from the end of the reporting period.

	2019 AED'000	2018 AED'000
Total retentions payable	**861,119**	742,540
Less: Retentions payable - current portion (Note 26)	**(432,207)**	(381,306)
Retentions payable - non-current portion	**428,912**	361,234

25. Provision for employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the relevant labour laws assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2019 and 2018 using actuarial techniques, in respect of employees' end of service benefits payable under the UAE labour Law and the Laws applicable in the countries in which the Group operates, for their periods of service up to the reporting date.

Under this method an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employees' salary in line with the Group's salary scales, past experience and market conditions. As part of their assessment, management assumes an average increment/promotion cost and the expected liability at the date of leaving the service by discounted the liability to its net present value using an appropriate discount. These have been listed in the following tables.

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

25. Provision for employees' end of service benefits (continued)

The following tables summarise the components of net benefit expense recognised in the consolidated income statement:

	2019 **AED'000**	2018 AED'000
Net benefit expense		
Current service cost	**54,848**	51,564
Interest cost	**-**	4,031
Net expense recognised in the consolidated income statement	**54,848**	55,595
Net actuarial loss recognised in other comprehensive income	**-**	19,681

Changes in the present value of defined benefit obligations is as follows:

	2019 **AED'000**	2018 AED'000
At 1 January 2019	**216,045**	200,510
Current service cost	**56,940**	51,564
Interest cost	**-**	4,031
Benefits paid during the year	**(48,426)**	(59,741)
Actuarial loss recognised in other comprehensive income	**-**	19,681
At 31 December 2019	**224,559**	216,045

The principal assumptions used in determining the provision for end of service benefit obligations are shown below:

	2019 **AED'000**	2018 AED'000
Discount rate per annum	**4.29% - 4.61%**	5.7% - 6%
Salary increase rate per annum.		
Staff	**2.5% - 6%**	2.5% - 6%
Workers	**1% - 4%**	1% - 4%

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

25. Provision for employees' end of service benefits (continued)

Following shows the sensitivity analysis on liability due to change in the actuarial assumptions:

	2019 **AED'000**	2018 AED'000
Increase in discount rate by 0.5%	**(6,308)**	(5,224)
Decrease in discount rate by 0.5%	**6,738**	5,556
Increase in salary inflation by 1%	**11,954**	10,182
Decrease in salary inflation by 1 %	**(11,495)**	(9,771)

26. Trade and other payables

	2019 **AED'000**	2018 AED'000
Trade payables	**1,207,100**	1,195,553
Amounts due to subcontractors	**2,164,389**	2,060,827
Retentions payable - current portion (Note 24)	**432,207**	381,306
Other accruals and payables	**1,204,454**	1,037,205
	5,008,150	4,674,891

27. Revenue

	2019 **AED'000**	2018 AED'000
Contract revenue	**7,330,756**	9,250,630
Sale of ready mix concrete/precast	**115,458**	167,486
Drainage division revenue	**249,346**	246,671
Plant division revenue	**26,392**	40,976
Other revenues	**64,115**	147,226
	7,786,067	9,852,989

The Group derives its revenue from contracts with customers for the transfer of goods and services, which are recognised over time and at a point in time. Details of revenue are as follows:

	2019 **AED'000**	2018 AED'000
Recognized over time	**7,670,609**	9,685,503
Recognized at a point in time	**115,458**	167,486
	7,786,067	9,852,989

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

27. Revenue (continued)

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

	2019 **AED'000**	2018 AED'000
Transaction price allocated to (partially) unsatisfied performance obligations	**11,980,186**	15,648,254

28. Direct costs

	2019 **AED'000**	2018 AED'000
Contract costs	**7,676,948**	8,785,968
Cost of sales of ready mix concrete / precast	**101,472**	140,537
Drainage division costs	**222,932**	215,343
Plant division costs	**18,771**	36,411
Other costs	**96,997**	39,495
	8,117,120	9,217,754

29. General and administrative expenses

	2019 **AED'000**	2018 AED'000
Employees' salaries and other benefits	**178,421**	193,201
Impairment losses on financial assets and amount due from customer on construction contracts - apportioned (Note 13)	**61,041**	1,075
Tender expenses	**27,631**	17,217
Depreciation of property, plant and equipment - apportioned (Note 6)	**13,158**	8,649
Depreciation of right-of-use assets (Note 7)	**12,864**	-
Legal expenses	**8,536**	5,116
Reversal of deferred tax asset (Note 12b)	**4,687**	-
Consultancy fees	**4,640**	662
IT, communication and utilities	**3,450**	3,525
Office rent - operating leases	**2,411**	6,788
Travelling expenses	**2,327**	2,123
Amortisation of intangible assets (Note 9)	**1,000**	1,000
Selling expenses	**252**	510
Others	**54,331**	58,768
	374,749	298,634

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

30. Other income

	2019 AED'000	2018 AED'000
Gain on sale of property, plant and equipment	**57,216**	1,097
Write back of liabilities	**28,124**	3,613
Scrap sales	**2,097**	1,372
Rental income	**-**	2,543
Reversal of inventory provision during the year (Note 16)	**-**	2,979
Others	**9,969**	3,341
	97,406	14,945

31. Finance cost - net

	2019 AED'000	2018 AED'000
Finance costs related to bank borrowings	**106,995**	111,335
Fair value adjustment on other noncurrent assets	**22,445**	-
Finance costs related to lease liabilities	**5,271**	-
Fair value adjustment on non-current retentions receivable	**2,784**	(1,819)
Fair value adjustment on non-current retentions payable	**(1,448)**	(6,048)
	136,047	103,468

32. Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company of AED 773,823 thousand (2018: profit for the year of AED 256,299 thousand) by the weighted average number of shares outstanding during the period of AED 1,500,000 thousand (2018: AED 1,500,000 thousand).

33. Contingencies and commitments

	2019 AED'000	2018 AED'000
Contingent liabilities		
Performance and bid bonds	**5,062,604**	5,040,559
Advance payment bonds	**1,837,427**	2,003,442
Retention bonds	**1,316,630**	1,071,126
Letters of credit	**357,020**	396,261
Financial guarantees	**57,985**	155,052
Labour guarantees	**42,745**	46,248

Other contingent liabilities

The Group is a defendant in a number of lawsuits in its ordinary course of business. The Group's management believes that it is only possible, but not probable, that the claimants will succeed. Accordingly, the Group's management has assessed that the provision currently booked is adequate to cover any liability arising for such cases. Please refer to Note 39 for details.

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

34. Leases

The Group as lessee

	2019 AED'000	2018 AED'000
Minimum lease payments under operating leases recognised as expense in the consolidated income statement for the year	**142,373**	116,702

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018 AED'000
Within one year	149,137
Two to five years	243,121
More than five years	136,730
	528,988

Operating lease payments represents rentals payable by the Group for land, buildings, certain labour camps and rented vehicles.

35. Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. The Group CEO is identified as a chief operating decision maker for the Group.

The management of the Group assessed the Group into four key business units; Building, Economic and Social Infrastructure, Industrial and Other. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The building segment primarily engages in the construction of high-rise towers, commercial and residential buildings and residential villas including execution of drainage, electrical and mechanical works. The Economic and Social Infrastructure segment is related to construction of airports, hospitals, museums and other activities which contributes to the social and economic development and industrial segment is involved in all works related to, intended to be used for, and/or for clients in the industries of oil and gas. The Other segment is involved in all other work that does not fall into the previous three segments in addition to the Company.

The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

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

35. Segment reporting (continued)

Segment wise statement of income information for the year ended 31 December 2019 is present below:

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
31 December 2019						
Revenue	5,887,642	1,411,009	864,785	235,968	(613,337)	7,786,067
Timing of revenue recognition						
Over time	5,887,642	1,411,009	864,785	53,537	(490,346)	7,670,609
At a point in time	-	-	-	182,431	(122,991)	115,458
Total revenue	**5,887,642**	**1,411,009**	**864,785**	**235,968**	**(613,337)**	**7,786,067**
Direct costs	(6,443,238)	(1,379,593)	(799,362)	(108,264)	613,337	(8,117,120)
Gross loss	**(555,596)**	**31,416**	**65,423**	**127,704**	**-**	**(331,053)**
Investment income	5,420	-	600	892	-	6,912
General and administrative expenses	(292,988)	(8,558)	(17,107)	(65,368)	9,272	(374,749)
Other income - net	57,942	6,237	1,231	49,996	(18,000)	97,406
Finance costs - net	(99,576)	(37)	(7,778)	(23,385)	(5,271)	(136,047)
Share of loss from associate	-	-	-	(106,724)	-	(106,724)
Income tax expense	(4,474)	-	-	-	-	(4,474)
Net segment results	**(889,272)**	**29,058**	**42,369**	**(16,885)**	**(13,999)**	**(848,729)**

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

35. Segment reporting (continued)

Segment wise statement of income information for the year ended 31 December 2018 is present below:

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
31 December 2018						
Revenue	6,863,497	2,561,053	933,917	239,452	(744,930)	9,852,989
Timing of revenue recognition						
Over time	6,863,497	2,561,053	933,917	8,865	(681,829)	9,685,503
At a point in time	-	-	-	230,587	(63,101)	167,486
Total revenue	6,863,497	2,561,053	933,917	239,452	(744,930)	9,852,989
Direct costs	(6,402,332)	(2,480,233)	(845,097)	(235,022)	744,930	(9,217,754)
Gross profit	461,165	80,820	88,820	4,430	-	635,235
Investment income	2,254	253	593	980	-	4,080
General and administrative expenses	(147,952)	(62,059)	(18,690)	(68,808)	-	(297,509)
Impairment losses	(1,125)	-	-	-	-	(1,125)
Other income - net	6,418	3,062	777	4,688	-	14,945
Finance costs - net	(49,642)	(18,705)	(10,994)	(24,127)	-	(103,468)
Share of profit from associate	-	-	-	8,795	-	8,795
Income tax expense	(2,733)	(1,034)	(570)	-	-	(4,337)
Net segment results	268,385	2,337	59,936	(74,042)	-	256,616

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

35. Segment reporting (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 31 December 2019 and 2018:

	Building AED'000	Economic and social infrastructure AED'000	Industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
At 31 December 2019						
Segment assets	**6,580,208**	**1,925,403**	**898,603**	**2,596,400**	**(1,749,002)**	**10,251,612**
Segment liabilities	**(7,557,189)**	**(1,936,161)**	**(707,175)**	**(1,296,883)**	**1,689,714**	**(9,807,694)**
At 31 December 2018						
Segment assets	6,511,383	2,743,526	846,816	2,902,369	(1,968,987)	11,035,107
Segment liabilities	(6,795,731)	(2,544,399)	(758,473)	(1,470,667)	1,936,421	(9,632,849)

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

36. Acquisition of non-controlling interests and business combination

During the year ended 31 December 2018, the Group acquired remaining minority interest of Arabtec-Musawa W.L.L., Kingdom of Bahrain of 25% for AED 7 million, increasing its ownership interest to 100%.

37. Material partly-owned subsidiary

Financial information of subsidiaries that have material non-controlling interests are provided below:

(a) Proportion of equity interest held by non-controlling interests

	2019	2018
	AED'000	AED'000
EFECO Qatar W.L.L.	**51%**	51%
Arabtec Construction W.L.L., Qatar	**51%**	51%

(b) Accumulated balances of material non.-controlling interest

	2019	2018
	AED'000	AED'000
EFECO Qatar W.L.L.	**(90,242)**	(88,364)
Arabtec Construction W.L.L., Qatar	**(265,392)**	(190,945)

(c) Profit/(loss) allocated to material non-controlling interest

	2019	2018
	AED'000	AED'000
EFECO Qatar W.L.L.	**(2,130)**	3,319
Arabtec Construction W.L.L., Qatar	**(71,527)**	(8,817)

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

37. Material partly-owned subsidiary (continued)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations:

(d) Summarized statement of comprehensive income

For the year ended 31 December 2019

	EFECO Qatar W.L.L. AED'000	**Arabtec Construction W.L.L., Qatar AED'000**
Revenue/(loss)	**12,452**	**(13,888)**
Gross loss	**(3,384)**	**(141,756)**
Loss before tax	**(4,176)**	**(144,919)**
Loss after tax	**(4,176)**	**(145,974)**

For the year ended 31 December 2018

	EFECO Qatar W.L.L. AED'000	**Arabtec Construction W.L.L., Qatar AED'000**
Revenue	46,201	72,985
Gross profit/(loss)	7,768	(12,924),
Profit/(loss) before tax	6,599	(17,215)
Profit/(loss) after tax	6,509	(17,288)

(e) Summarised statement of financial position

As of 31 December 2019

	EFECO Qatar W.L.L. AED'000	**Arabtec Construction W.L.L., Qatar AED'000**
Current assets	**21,092**	**363,304**
Current liabilities	**(196,747)**	**(872,548)**
Non-current assets	**48**	**32,766**
Non-current liabilities	**(118)**	**(27,054)**
	(175,725)	**(503,532)**

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

37. Material partly-owned subsidiary (continued)

(e) Summarised statement of financial position (continued)

As of 31 December 2018

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L., Qatar AED'000
Current assets	29,072	371,975
Current liabilities	(201,534)	(765,991)
Non-current assets	124	63,401
Non-current liabilities	(925)	(26,943)
	(173,263)	(357,558)

(f) Summarised statement of cash flows

For the year ended 31 December 2019

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L., Qatar AED'000
Operating	**(8,357)**	**(7,363)**
Investing	**-**	**46**
Financing	**-**	**3,463**
Net decrease in cash and cash equivalents	**(8,357)**	**(3,854)**

For the year ended 31 December 2018

	EFECO Qatar W.L.L. AED'000	Arabtec Construction W.L.L., Qatar AED'000
Operating	8,461	30,339
Investing	(43)	1,220
Financing	-	(29,608)
Net increase in cash and cash equivalents	8,418	1,951

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

38. Joint operations

The Group has the following significant interests in joint operations:

		Share in Joint Operations
(a)	Samsung/Arabtec joint operation project, UAE	40%
(b)	Six Construct/Arabtec joint operation projects, UAE	50%
(c)	Samsung/Nine Construct/Arabtec joint operation project, UAE	30%
(d)	Arabtec /Max Bogl joint operation projects, UAE	50%
(e)	Arabtec/Aktor joint operation projects, UAE	60%
(f)	Arabtec/Emirates Sunland joint operation projects, UAE	50%
(g)	Arabtec/WCT Engineering joint operation projects, UAE	50%
(h)	Arabtec/Engineering Enterprises Company joint operation projects, Jordan	50%
(i)	Arabtec/Dubai Contracting Company joint operation project, UAE	50%
(j)	Target Engineering and Construction Company LLC/Marintek Middle East and Asia FLE joint operation project UAE	65%
(k)	Arabtec Engineering Services/WCT Engineering joint operation project UAE	50%
(I)	Arabian Construction Company/Arabtec joint operation project, Syria	50%
(m)	Arabtec/National Projects and Construction joint operation project, UAE 50%	50%
(n)	Arabtec/AI Sand joint operation project, KSA	66.66%
(o)	Arabtec/Combined Group Contracting Company Joint operation, Kuwait	60%
(p)	TAV/CCC/Arabtec Joint operation, UAE	33%
(q)	Oger Abu Dhabi LLC/Constructora San Jose SA/Arabtec Joint operation, UAE	33%
(r)	CCC/Arabtec Joint operation, Kazakhstan	50%
(s)	ATC/CCC/DSC Joint Venture Limited, Jordan	33%
(t)	ATC/SIAC joint operation project, Egypt	55%
(u)	ATC/ Constructor San Jose SA joint operation project, UAE	50%
(v)	EFECO/ACC joint operation project, Kazakhstan	40%
(w)	Arabtec Al Mukawilon Joint operation, Palestine	60%
(x)	ACC Arabtec Joint operation, Lebanon	50%

The Group is entitled to a proportionate share of the joint operations' assets and revenues and bears a proportionate share of their liabilities and expenses.

39. Contract and legal disputes

a. In 2016, a subsidiary of the Group received a letter from an employer claiming significant progress delays on the programme of works. Consequently, the employer instructed the main contractor to (i) resolve the payment issue causing delay or (ii) descope certain works from the main contract and appoint other contractors to carry out remaining works on the descoped areas. The subsidiary has completed its reduced scope of works.

   Management believes that they are not in default in progressing the works and the delays were caused by action or inaction by the main contractor and the subsidiary has contractual entitlement to an Extension of Time claim for the delay period.

   In April 2019, the employer attempted to encash the subsidiary’s performance bond due to further delays on the project. The employer was unsuccessful due to legal action taken by the subsidiary in obtaining a precautionary attachment order.

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

39. Contract and legal disputes (continued)

In December 2019, the court removed the precautionary attachment, and the employer encashed bonds amounting to AED 97 million.

As at 31 December 2019, the Group has a net receivable of AED 219 million, which Management believes is recoverable from the main contractor as the Group has contractual entitlement over the completed works and the quantum of the descoping has been validated by a third-party expert.

In accordance with the contract, legal proceedings are ongoing in the Abu Dhabi Courts to resolve the dispute regarding the quantum of the descoping and other matters in dispute.

b. In 2018, a subsidiary of the Group took legal action to ratify an arbitral award in its favour of AED 286 million plus interest. The court proceedings are ongoing and include seeking attachment orders over certain assets and bank accounts of the employer.

As at 31 December 2019, the Group has a net receivable of AED 200.3 million, which Management believes is recoverable from the employer as the amount reflects actual work done and the arbitration award is for a higher amount.

c. In 2011, a subsidiary of the Group took legal action against an employer for non-payment. In 2012, the subsidiary obtained an order from the Pakistan Courts of AED 65 million in respect of which the employer has filed an appeal in 2016. The appeal proceedings are ongoing in the Pakistan Courts.

Further, in 2016 the subsidiary obtained an injunction order preventing the employer from encumbering the plot where the aborted project is located.

As at 31 December 2019, the Group has a net receivable of AED 22.7 million, which Management believes is recoverable from the employer based on the value of work done and the injunction order.

d. In 2018, a subsidiary of the Group filed for arbitration in the Dubai International Arbitration Centre against an employer to recover monies due from the employer for, among other things, wrongful termination of a main contract in respect of which the subsidiary's 50/50 JV partner has secured an arbitral award of AED 1.117 billion. A tribunal was formed and the Respondent (employer) then launched a jurisdiction challenge. The Respondent succeeded with its challenge and a Final Award has been published subsequent to the report date. The subsidiary's claims will then have to be prosecuted in the Dubai Court, i.e. the Special Judicial Committee (with Court of Appeal jurisdiction), which has been set up by the Government of Dubai to deal with claims against the employer. According to the Group's external legal counsel, it is not possible to predict the outcome of this dispute at this stage.

As at 31 December 2019, the Group has a net receivable of AED 250.6 million which Management still believes to be recoverable from the employer.

e. In 2015, a subsidiary of the Group, together with several other third-parties, was notified by an insurer of a claim for AED 1.2 billion relating to a fire that occurred at a building in respect of which the subsidiary was the main contractor in a joint venture with a third-party.

Under the contract, the Dubai Courts have jurisdiction. Given the complexity of the issues, the subsidiary, together with the majority of the other respondents, is seeking to move the case into arbitration or DIFC Courts. The subsidiary has engaged external experts to assess the claim. The proceedings are at an early stage. Due to the early stage, Management are unable to evaluate the likely outcome of this matter.

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

40. Other matters

During 2016, a non-controlling shareholder of the Group's subsidiary in Qatar (Arabtec Construction W.L.L.) issued a letter indicating its non-approval or non-authorisation to issue the financial statements of the subsidiary on the grounds that it accepted no responsibility for the financial position, performance and management of the subsidiary.

The Group has obtained legal advice that confirms the non-controlling shareholder is responsible at law for its share of the subsidiary's operations based on the Qatari Commercial Companies Law, and that both shareholders of the entity are jointly liable for the liabilities of the subsidiary.

During 2017, the shareholder filed a claim against the Group related to the above mentioned matter. Management believes that the outcome of such a dispute would have no impact on the condensed consolidated interim results of the Group as a whole or on its total equity.

41. Dividends declared and paid

On 23 April 2019, the shareholders approved the final ordinary dividend proposed by the Board of Directors of AED 0.05 per share, amounting to AED 75 million.

On 16 April 2018, the shareholders approved the final ordinary dividend proposed by the Board of Directors of AED 0.0205 per share, amounting to AED 30.75 million.

42. Financial instruments

a) Significant accounting policies

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 3 to the consolidated financial statements.

b) Categories of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	Financial assets at amortised cost AED'000	Financial assets at fair value through profit or loss AED'000	Total AED'000
At 31 December 2019			
Cash and bank balances (Note 19)	**816,903**	**-**	**816,903**
Trade and other receivables (Note 13)	**2,799,650**	**-**	**2,799,650**
Due from related parties (Note 17)	**547,789**	**-**	**547,789**
Other financial assets (Note 15)	**174,979**	**17,282**	**192,261**
Other current assets (excluding prepaid expenses and due from employees) (Note 18)	**368,660**	**-**	**368,660**
Other non-current assets	**211,027**	**-**	**211,027**
	4,919,008	**17,282**	**4,936,290**

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

42. Financial instruments (continued)

b) Categories of financial instruments (continued)

	Financial assets at amortised cost AED'000	Financial assets at fair value through profit or loss AED'000	Total AED'000
At 31 December 2018			
Cash and bank balances (Note 19)	1,269,575	-	1,269,575
Trade and other receivables (Note 13)	2,932,843	-	2,932,843
Due from related parties (Note 17)	576,160	-	576,160
Other financial assets (Note 15)	205,713	17,282	222,995
Other current assets (excluding prepaid expenses and due from employees) (Note 18)	146,564	-	146,564
Other non-current assets	280,223	-	280,223
	5,411,078	17,282	5,428,360

	Other financial liabilities at amortised cost AED'000
At 31 December 2019	
Bank borrowings (Note 22)	**1,809,443**
Trade and other payables, excluding retentions payable (Note 26)	**4,575,943**
Due to related parties (Note 17)	**450,945**
Retentions payable (Note 24)	**861,119**
Lease liabilities (Note 23)	**88,336**
	7,785,786
At 31 December 2018	
Bank borrowings (Note 22)	2,057,007
Trade and other payables, excluding retentions payable (Note 26)	4,293,585
Due to related parties (Note 17)	487,029
Retentions payable (Note 24)	742,540
	7,580,161

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

42. Financial instruments (continued)

c) Reconciliation of liabilities arising from financing activities

The below table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	At 1 January AED'000	Financing cash flows AED'000	Non cash changes AED'000	At 31 December AED'000
2019				
Bank borrowings	**2,057,007**	**(354,559)**	**106,995**	**1,809,443**
Lease liabilities	**78,147**	**(15,011)**	**25,200**	**88,336**
	2,135,154	**(369,570)**	**132,195**	**1,897,779**
2018				
Bank borrowings	2,384,141	(438,469)	111,335	2,057,007

43. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Group's overall strategy remains unchanged from 2018.

44. Financial risk management

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – market risk, credit risk, and liquidity risk. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments. 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.

Foreign currency risk management

The Group's foreign currency monetary assets and liabilities are denominated mainly in following currencies:

- Category I: Saudi Arabian Riyals, Qatari Riyals, Jordanian Dinars, Bahraini Dinars.
- Category II: Euro, Kuwaiti Dinars, Indian Rupee, Pakistani Rupees, Egyptian Pounds, Syrian Pounds.

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

44. Financial risk management (continued)

Market risk (continued)

Foreign currency risk management (continued)

As the Category I monetary assets and liabilities are pegged to US Dollars, the sensitivity only considers the effect of a reasonably possible movement of the AED currency rate against Category II monetary assets and liabilities with all other variables held constant, on the consolidated statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2019, if these had weakened/strengthened by 10% against the AED, the profit for the year would have been higher/lower by AED 2,128 thousand (2018: profit for the year would have been higher/lower by AED 12,689 thousand).

Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of the changes in the market rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdrafts, acceptances, trust receipts and term loans). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

As at 31 December 2019, if interest rates on borrowings had been 0.1% higher or lower with all other variables held constant, loss for the period would have been AED 1,809 thousand (2018: profit would have been AED 2,057 thousand) lower/higher, mainly as a result of higher/lower interest expense.

Price risk management

The Group is exposed to commodity price risk for its purchases of contracting material which is managed by applying the same contract terms with the Group's customer to their subcontractors. Most of the materials used in construction are subcontracted by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables, due from customers on construction contracts and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however, significant revenue is generated by dealing with entities related to the Parent Company's group, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. 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.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. All balances with banks represent local commercial banks.

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

44. Financial risk management (continued)

Credit risk (continued)

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

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.

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
			AED'000	AED'000	AED'000
2019					
Cash and cash equivalents	Performing	12-month ECL	**816,903**	**-**	**816,903**
Trade and other receivables	i	Lifetime ECL	**3,277,517**	**(477,867)**	**2,799,650**
Due from customers on construction contracts	i	Lifetime ECL	**2,338,320**	**-**	**2,338,320**
Due from related parties	Performing	12-month ECL	**547,789**	**-**	**547,789**
Other financial assets	Performing	12-month ECL	**192,261**	**-**	**192,261**
Other current assets	Performing	12-month ECL	**368,660**	**-**	**368,660**
Other noncurrent assets	Performing	12-month ECL	**211,027**	**-**	**211,027**
			7,752,477	**(477,867)**	**7,274,610**

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

44. Financial risk management (continued)

Credit risk (continued)

	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
			AED'000	AED'000	AED'000
2018					
Cash and cash equivalents	Performing	12-month ECL	1,269,575	-	1,269,575
Trade and other receivables	i	Lifetime ECL	3,269,100	(336,257)	2,932,843
Due from customers on construction contracts	i	Lifetime ECL	2,641,928	-	2,641,928
Due from related parties	Performing	12-month ECL	576,160	-	576,160
Other financial assets	Performing	12-month ECL	222,995	-	222,995
Other current assets	Performing	12-month ECL	146,564	-	146,564
Other noncurrent assets	Performing	12-month ECL	280,223	-	280,223
			8,406,545	(336,257)	8,070,288

(i) For trade and other receivables and due from customers on construction contracts, 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 based on historical credit loss experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The responsibility of liquidity risk rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The maturity profile of trade and other payables is monitored by management to ensure adequate liquidity is maintained.

The contractual maturities of the financial instruments, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

	Interest rates	Less than 1 year AED'000	Greater than 1 year AED'000	Total AED'000
At 31 December 2019				
Bank borrowings (Note 22)	**5.47% - 6.21%**	**1,611,617**	**197,826**	**1,809,443**
Trade and other payables, excluding retentions payable (Note 26)	**-**	**4,575,943**	**-**	**4,575,943**
Due to related parties (Note 17)	**-**	**450,945**	**-**	**450,945**
Retentions payable (Note 24)	**-**	**432,207**	**428,912**	**861,119**
Lease liabilities (Note 23)	**6.4%**	**9,052**	**79,284**	**88,336**
		7,079,764	**706,022**	**7,785,786**

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

44. Financial risk management (continued)

Liquidity risk (continued)

	Interest rates	Less than 1 year AED'000	Greater than 1 year AED'000	Total AED'000
At 31 December 2018				
Bank borrowings (Note 22)	5.61% - 6.84%	1,497,096	559,911	2,057,007
Trade and other payables, excluding retentions payable (Note 26)	-	4,293,585	-	4,293,585
Due to related parties (Note 17)	-	487,029	-	487,029
Retentions payable (Note 24)	-	381,306	361,234	742,540
		6,659,016	921,145	7,580,161

Management have identified material uncertainties relating to the Group's ability to continue as a going concern and meet the liabilities as they fall due. This is explained in Note 2.

45. Event after the reporting date

The Group is exposed to emerging risks, including the recent COVID-19 outbreak which has been labelled a global pandemic by the World Health Organization. This is causing global economic disruption and has the potential to impact the Group's operations and wider economy. The Group has implemented measures to prevent and contain an outbreak among its workforce but with the impact changing on a real-time basis it is very difficult to understand with certainty the extent to which it might ultimately affect the Group. The Group considers this outbreak to be a non-adjusting event after the reporting date. Given the unpredictable outcome of the virus and the potential 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. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's estimates as disclosed in Note 5 in 2020.

46. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 were approved by the Board of Directors and authorised for issue on 12 June 2020.