Damac Properties Dubai Co. PJSC
Dubai – United Arab Emirates

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

Damac Properties Dubai Co. PJSC

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Directors' Report

The Board of Directors has the pleasure in submitting their report together with the consolidated financial statements of DAMAC Properties Dubai Co. PJSC (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2019.

Revenue for the year stood at AED 4,399 million (FY2018: AED 6,132 million) and net loss for the period was AED 37 million (FY2018: Profit of AED 1,152 million). As at 31 Dec 2019, Total assets were at AED 23,825 million (31 Dec 2018: AED 25,176 million) and shareholder's equity stood at AED 14,073 million (31 Dec 2018: AED 14,110 million), total shares issued remained unchanged at 6,050 million shares. Profit during the year was adversely impacted by non-cash items such as impairment on development properties worth AED 124 million and impairment on trade receivables amounting to AED 41 million due to prevalent market conditions.

Gross debt stood at AED 3,842 million with cash and bank balance at AED 4,646 million. Cash deployed in operations during the period was AED 327 million.

The Group started unit handovers in its second master development Akoya during the year 2019.

Real estate is a cyclical industry across the globe; the Dubai real estate market like others in the world witnessed softer market conditions in 2019, this also impacted the financial performance of DAMAC. As a company, we have always focused on liquidity and cash management across business cycles. We are pleased to share that even during this challenging environment, DAMAC has reduced gross debt by ~AED1.6 billion in the last 18 months ending 31 December 2019. DAMAC has always met its debt and land commitment on or before schedule in the past.

To safeguard the interest of our stakeholders, we have substantially reduced new launches over the last few years to avoid adding new capital commitments. We have been focusing on selling completed and near completion inventory in 2019 and would continue to do so next year as well. We continue to believe that the long term prospects of the Dubai real estate market can offer sustainable growth to its investors and residents alike.

We thank the UAE leadership for their vision, aspiration and execution which gives a phenomenal platform for all participants to excel and contribute to the growth of the UAE. We also would like to thank regulators, government bodies, our shareholders, debtholders, customers, partners and employees who have been our partners in this successful journey.

Consolidated financial statements discloses significant related party transactions in Note 18 of the financial statements. All these transactions have been carried out in normal course of business and in compliance with applicable laws and regulations. To the best of our knowledge, the financial information included in the report fairly presents in all material aspects the financial condition, results of operation and cash flows of the Group as of 31 December 2019.

On behalf of the Board of Directors



Chairman

هاتف : ٦٦٦٦ ٥١٨ ٤ ٩٧١+
فاكس : ٠١٥١ ٢٢٧ ٤ ٩٧١+

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Independent Auditor's Report

To the Shareholders of Damac Properties Dubai Co. PJSC Dubai

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of 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 the International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters, that in our professional judgement were of most significance in our audit of the consolidated financial statements of the current year. 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.

بي دي أو محاسبون قانونيون ومستشارون شركة مساهمة مسجلة بدبي وعضو بشركات بي دي أو العالمية المحدودة، وبضمان محدود من المملكة المتحدة، وتشكل جزء من شبكة بي دي أو العالمية ذات عضوية مستقلة.

BDO Chartered Accountants & Advisors, a partnership firm registered in Dubai, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of independent member firms.
Branch Offices: Abu Dhabi, Sharjah, JAFZ & SAIF Zone.

Key Audit Matters	How the matter was addressed in our audit
Revenue recognition of development properties	
Revenue is recognised both at a point in time and over a period of time and takes into consideration the nature of the contract and the relevant laws and regulations of the jurisdiction in which it has entered the contract with its customers, and disclosed in note 3.13 to the consolidated financial statements. Development properties of the Group includes villas, apartments, commercial units and plots of land. Revenue recognition on sale of these development properties has been assessed as a key audit matter due to the significance of judgements and estimations involved The key judgment and estimation include: ▪ the ability of the Group to enforce payment for work completed under the terms of its contract thereby meeting the criteria for revenue recognition overtime; ▪ the total expected cost of completion of the real estate development to which the sold unit belongs; ▪ likelihood of collection of the remaining sales consideration; ▪ variable consideration agreed in the sales purchase agreement as a part of transaction price; ▪ the amount of costs to complete the projects to complete the development as committed. Due to the significance of the assessment of satisfaction of performance obligations, estimation of total cost of project completion and judgements made in assessing the timing of revenue recognition, revenue recognition on property development has been assessed as a key audit matter.	We reviewed a sample of underlying contracts for sale of real estate units to assess the management's identification of performance obligations and determination of whether the revenue shall be recognized over time or at a point in time based on the requirements of IFRS 15 - Revenue from Contracts with Customers. In order to satisfy ourselves on the over a period of time recognition of revenue, we have checked whether the Group has enforceable right to payment for performance completed to date under these contracts. We have assessed the controls involved in respect of revenue recognition of the Group and tested the operating effectiveness of the controls relevant for the audit, which include: • Controls implemented by the Group on the approval of budgeted cost and any variations in the budgeted cost. • Controls surrounding approval and processing of cost incurred on the projects. • Controls around the percentage of completion calculation used for revenue recognition. In addition, we have also performed substantive audit procedures for a sample of transactions: • Verified that the Group has appropriately recognised revenue as per the terms of contract and the requirements of IFRS 15, based on the relevant jurisdiction that the project is located. • Reviewed the reasonableness of assessment performed by the management for assessing the total costs to complete for the respective projects. • Recalculated revenue and compared with management's calculation. • Verified that the disclosures included in the consolidated financial statements meet the disclosure requirements of IFRS 15. We have also assessed the reasonableness of percentage of completion of a sample of properties under development by comparing from independent sources.

Key Audit Matters	How the matter was addressed in our audit
Impairment review of development properties	
The Group's development properties as at December 31, 2019 includes land held for future development, properties under development and completed properties held in inventory, which are stated at the lower of cost and net realisable value. 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. The Group has reviewed the development properties by assessing the net realisable value of each project. The realisable values of development properties are determined by the management at each reporting date based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), and are reflective of the economic conditions prevailing as at the reporting date. As explained in notes 3.4 and 8 to the consolidated financial statements, the valuation method used for 'properties under development' is the residual valuation method which is based on a discounted cash flow approach. The valuation method used for 'completed properties' and 'land held for development' is the comparable method. These valuation methods used involves a degree of complexity and further involves significant judgements and estimates. The existence of significant estimation uncertainty and the significance of amounts warrants significant audit attention in this area. Any variation in the estimation / assumptions used for the valuation of the property could have a material impact on the consolidated financial statements of the Group. More details about valuation methods and key assumptions used for the valuation of the development properties are disclosed in notes 3.4 and 8 to the consolidated financial statements.	We assessed the qualifications and expertise of independent third-party valuers and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We performed testing on sample of inputs to satisfy ourselves of the accuracy of the data provided to the external valuers. We have discussed the source data and the related estimation uncertainties with various project officers and management. We have also involved our internal real estate valuation specialists in reviewing the valuation of the selected properties and assessed whether the valuation of properties was performed in accordance with requirements of IFRS 13 Fair Value Measurement. The review of the valuations included discussions with management and independent valuer and consideration of overall reasonableness of the assumptions. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we extended our audit procedures and, when necessary, held further discussions with the management.

Other Matter

The consolidated financial statements of Damac Properties Dubai Co. PJSC for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 27, 2019.

Other Information

The Board of Directors and management are responsible for other information. The other information comprises the annual report of the Group. We have obtained the Directors' report prior to the date of this audit report, and the remaining information of the annual report is expected to be made available to us after the date of this audit report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with the audit of consolidated financial statements, our responsibility is to read the other information identified above and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appear to be materially misstated.

If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the Group's annual report, 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 the International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the U.A.E. Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law and 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.

The Shareholders of Damac Properties Dubai Co. PJSC, *(Continued)*

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Director's report is consistent with the books of account of the Group;
- Note 18 to the consolidated financial statements discloses material related party transactions and balances and the arrangements in this regard;
- Note 10 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended December 31, 2019; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its consolidated financial position as at December 31, 2019.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Dubai

Mohamed Afzal Koya Ali
Reg. No. 522
26 March 2020

Consolidated statement of financial position as at 31 December 2019

	Notes	2019 AED'000	2018 AED'000
ASSETS			
Cash and bank balances	6	**4,645,848**	6,173,522
Trade and other receivables	7	**8,010,115**	8,120,233
Development properties	8	**9,527,253**	9,214,522
Other financial assets	9	**870,394**	1,055,267
Financial investment	10	**369,753**	283,073
Right-of-use assets	2.3	**92,458**	-
Property and equipment	11	**128,040**	140,749
Investment properties	12	**180,771**	188,896
Total assets		**23,824,632**	25,176,262
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**6,050,000**	6,050,000
Statutory reserve	3.9	**903,497**	903,497
Retained earnings		**7,119,355**	7,156,234
Total equity		**14,072,852**	14,109,731
Liabilities			
Trade and other payables	14	**3,445,590**	3,501,073
Advances from customers	15	**2,371,228**	2,617,811
Lease liabilities	2.3	**93,370**	-
Bank borrowings	16	**549,681**	667,213
Sukuk certificates	17	**3,291,911**	4,280,434
Total liabilities		**9,751,780**	11,066,531
Total equity and liabilities		**23,824,632**	25,176,262

Chairman **Director**

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

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

	Notes	2019 AED'000	2018 AED'000
Continuing operations			
Revenue	19	**4,399,217**	6,132,675
Cost of sales		**(3,108,310)**	(4,011,638)
Gross profit		**1,290,907**	2,121,037
Other operating income	20	**136,541**	94,655
General, administrative and selling expenses	21	**(975,602)**	(1,006,198)
Amortisation of right-of-use assets	2.3	**(32,820)**	-
Depreciation	11,12	**(31,301)**	(28,082)
Provision for impairment on development properties	8	**(124,374)**	(54,146)
(Provision)/ reversal of impairment on trade receivables	7	**(41,324)**	107,758
Operating profit		**222,027**	1,235,024
Other income	22	**98,011**	80,195
Finance income	23	**150,743**	162,293
Finance costs	24	**(290,999)**	(325,618)
Provision for value added tax	25	**(216,661)**	-
(Loss)/ profit for the year		**(36,879)**	1,151,894
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(36,879)**	1,151,894
Earnings per share			
Basic and diluted (AED)	31	**(0.0061)**	0.1904

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

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

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018	**6,050,000**	**802,313**	**7,013,024**	**13,865,337**
Profit for the year	-	-	1,151,894	1,151,894
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**1,151,894**	**1,151,894**
Transfer to statutory reserve	-	**101,184**	**(101,184)**	-
Dividend (note 32)	-	-	**(907,500)**	**(907,500)**
Balance at 31 December 2018	**6,050,000**	**903,497**	**7,156,234**	**14,109,731**
Loss for the year	-	-	(36,879)	(36,879)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**(36,879)**	**(36,879)**
Balance at 31 December 2019	**6,050,000**	**903,497**	**7,119,355**	**14,072,852**

The accompanying notes on pages 14 to 54 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
Cash flows from operating activities		
(Loss)/ profit for the year	**(36,879)**	1,151,894
Adjustments for:		
Depreciation on property and equipment and investment properties (notes 11 and 12)	**31,301**	28,082
Amortisation on right-of-use assets (note 2.3)	**32,820**	-
Provision for employees' end-of-service indemnity (note 14)	**12,998**	13,921
Amortisation of issue costs on sukuk certificates (note 17)	**6,231**	12,736
Loss on disposal of property and equipment	**881**	-
Gain on disposal of a subsidiary (note 22)	-	(2,936)
Provision for impairment on development properties (note 8)	**124,374**	54,146
Provision/ (reversal) of impairment on trade receivables (note 7)	**41,324**	(107,758)
Provision for value added tax (note 25)	**216,661**	-
Finance costs (note 24)	**290,999**	325,618
Finance income (note 23)	**(150,743)**	(162,293)
Operating cash flows before changes in operating assets and liabilities	**569,967**	1,313,410
Decrease/ (increase) in trade and other receivables (note 7)	**66,456**	(1,412,712)
(Increase)/ decrease in development properties (note 8)	**(437,105)**	359,672
(Decrease)/ increase in trade and other payables (note 14)	**(268,735)**	35,409
Decrease in advances from customers (note 15)	**(246,583)**	(656,685)
Employee end-of-service indemnity paid (note 14)	**(11,061)**	(11,763)
Net cash used in operating activities	**(327,061)**	(372,669)
Cash flows from investing activities		
Purchases of property and equipment (note 11)	**(11,348)**	(10,965)
Increase in financial investment (note 10)	**(86,680)**	(20,400)
Net cash received on disposal of a subsidiary	-	12,845
Decrease/ (increase) in other financial assets (note 9)	**184,873**	(30,510)
Decrease in deposits with an original maturity of greater than three months	**143,230**	787,186
Interest received	**153,081**	175,255
Net cash generated from investing activities	**383,156**	913,411

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

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

	2019 AED'000	2018 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings (note 16)	**220,359**	422,229
Repayment of bank borrowings (note 16)	**(365,029)**	(406,593)
Proceeds from the issuance of sukuk certificates – net	**-**	1,457,138
Redemption and repurchase of sukuk certificates (note 17)	**(994,754)**	(1,126,969)
Dividend paid (note 32)	**-**	(907,500)
Repayment of principal lease liabilities (note 2.3)	**(31,908)**	-
Finance costs paid (note 24)	**(296,345)**	(312,825)
Net cash used in financing activities	**(1,467,677)**	(874,520)
Net decrease in cash and cash equivalents	**(1,411,582)**	(333,778)
Cash and cash equivalents at the beginning of the year (note 6)	**5,542,889**	5,876,667
Cash and cash equivalents at the end of the year (note 6)	**4,131,307**	5,542,889

The accompanying notes on pages 14 to 54 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

Damac Properties Dubai Co. PJSC (the "Company" or the "Parent") was incorporated in Dubai on 20 June 1976 as a Public Stock Company and operates in the United Arab Emirates under a trade license issued in Dubai. The Company is listed on the Dubai Financial Market. The address of the Company's registered office is P.O. Box 2195, Dubai, United Arab Emirates ("U.A.E.").

The majority shareholder is Mr. Hussain Sajwani (the "Chairman").

The Parent and its subsidiaries (collectively the "Group") are involved mainly in the development of properties in the Middle East.

2 Basis of preparation and statement of compliance

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable requirements of the laws in the U.A.E.

2.2 Basis of preparation

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

2 Basis of preparation and statement of compliance (continued)

2.2 Basis of preparation (continued)

The consolidated financial statements of the Group are presented in thousands of United Arab Emirates Dirhams ("AED'000") which is the Group's reporting currency. Amounts are rounded to the nearest thousand, unless otherwise stated. The individual financial statements of Group entities are prepared in respective local currencies, being the currency in the primary economic environment in which these entities operate (the functional currency).

2.3 New standards, amendments and interpretations

(a) New standards, amendments and interpretations effective from 1 January 2019

New standards impacting the Group that has been adopted in the annual consolidated financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16);

Details of impact of IFRS 16 are given below.

The Group adopted IFRS 16 'Leases' which 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 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group's financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right-to-use leased asset is capitalised at an amount which is generally equivalent to the present value of the future lease payments plus directly attributable costs and this amount is amortised over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard and the prior period consolidated statement of financial position has not been restated. During the first-time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognised lease liabilities as of 1 January 2019:

	AED'000
Operating lease commitments	245,299
Discounted using the Group's incremental borrowing rate at the date of initial application	(120,021)
Lease liability recognised as at 1 January 2019	**125,278**

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

2 Basis of preparation and statement of compliance (continued)

2.3 New standards, amendments and interpretations (continued)

(a) New standards, amendments and interpretations effective from 1 January 2019 (continued)

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The net impact on the retained earnings at 1 January 2019 was nil.

	31 December 2019 AED'000	1 January 2019 AED'000
Total right-of-use assets	**92,458**	125,278
Total lease liabilities	**93,370**	125,278

	31 December 2019 AED'000
Amortisation on right-of-use assets	**32,820**
Interest on lease liabilities (note 24)	**11,097**

As at December 31, 2019, the Group expects gross contractual cash outflows of AED 202 million in respect of future lease payments.

The Group's leasing activities as a lessee and how these are accounted for:

Before 1 January 2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

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

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

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

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

2 Basis of preparation and statement of compliance (continued)

2.3 New standards, amendments and interpretations (continued)

(a) New standards, amendments and interpretations effective from 1 January 2019 (continued)

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture and vehicles.

Impact on Lessor Accounting

The Group, as a lessor continues to classify leases as either finance leases or operating leases and accounts 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 leased assets. This does not have an impact on the Group as it has no finance leases as a lessor outside the Group.

Practical expedient

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

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

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

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

2 Basis of preparation and statement of compliance (continued)

2.3 New standards, amendments and interpretations (continued)

Others

Following other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual consolidated financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

- IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modification of Financial Liabilities)
- IAS 28 Investments in Joint Ventures (Amendment – Long term Interests in Associates and Joint Ventures)
- Annual Improvements to IFRSs 2015 – 2018 Cycle (IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes, IAS 23 Borrowing costs)
- IAS 19 Employee Benefits (Amendment – Plan Amendment, Curtailment or Settlement)
- IFRIC 23 *Uncertainty over Income Tax Treatments*

(b) New standards, amendments and interpretations - not effective for the financial year beginning 1 January 2019 and not early adopted by the Group

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts*, IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 34 *Interim Financial Reporting*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRIC 12 *Service Concession Arrangements*, IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, IFRIC 22 *Foreign Currency Transactions and Advance Considerations*, and SIC-32 *Intangible Assets – Web Site Costs* 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
Amendment to IFRS 3 *Business Combinations* relating to definition of a business.	1 January 2020

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

2 Basis of preparation and statement of compliance (continued)

2.3 New standards, amendments and interpretations (continued)

(b) New standards, amendments and interpretations - not effective for the financial year beginning 1 January 2019 and not early adopted by the Group (continued)

New and revised IFRSs	***Effective for annual periods beginning on or after***
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material.	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Significant accounting policies

3.1 Basis of consolidation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

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

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

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

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

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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

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

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

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

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

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

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

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

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Changes in the Group's ownership interest in existing subsidiaries (continued)

If the Group loses control over a subsidiary, it:

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

The Company consolidated 100% of the operations, assets and liabilities of the subsidiary listed below (together the "Group"):

Name of the entity	Country of incorporation	Principal activities	Legal and economic interest
Damac Real Estate Development Limited, DIFC ("DRED") *	United Arab Emirates	Holding company	100%

* the holding company includes 89 subsidiaries, the results of which are consolidated in DRED.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at bank with original maturities of less than three months less bank overdrafts and are used by the Group in the management of its short-term commitments.

3.3 Financial Instruments

Financial assets

Classification and measurement

Financial assets are regular way purchases or sales that require delivery of assets within the time frame established by regulation or convention in the marketplace. All such regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in the consolidated statement of profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows from payments of principal and interest on the outstanding principal, are subsequently measured at amortised cost;

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

3. Significant accounting policies (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, are subsequently measured at FVOCI;

- all other debt instruments such as debt instruments managed on a fair value basis or held for sale and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable designation at initial recognition of a financial asset on an asset-by-asset basis:

  - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
  - the Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group has financial assets under "trade and other receivables" (excluding prepayments and advances), "other financial assets" and "cash and cash equivalents" that are subject to the expected credit loss model under IFRS 9.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following change in business model. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models for each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. When an equity investment designated as measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is not subsequently reclassified to profit or loss but is reclassified to retained earnings.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

Impairment

IFRS 9 replaces the "incurred loss" model under IAS 39 with an "expected credit loss" (ECL) model. The Group recognises loss allowances for expected credit losses on 'trade and other receivables', 'other financial assets' and 'cash and bank balances'.

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

3. Significant accounting policies (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

Other than for purchased or originated credit impaired financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (12-month ECL), (referred to as Stage 1); or
- lifetime ECL that result from all possible default events over the life of the financial instrument (lifetime ECL), (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is recognised in the OCI.

The Group has elected to measure loss allowances for cash and bank balances, other financial assets and trade and other receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information. For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to loans and advances are presented separately in the consolidated statement of profit or loss and OCI. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios.

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 the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised costs and debt securities at FVOCI are credit-impaired.

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

3. Significant accounting policies (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

The Group writes off a financial asset when management assess that there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures. Any recoveries made are recognised in profit or loss.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

These financial liabilities are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and Sukuk certificates are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs, as well as any interest payable while the liability is outstanding.

- Advances from customers, trade and other payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

3.4 Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. These are stated at the lower of cost and net realisable value.

Cost principally includes the cost of the land and construction cost and all other costs which are necessary to get the properties ready for sale. 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. The cost of development properties recognised in the consolidated statement of profit or loss and other comprehensive income is determined with reference to the costs incurred on the property sold to the extent of work completed.

Borrowing costs that are directly attributable to the construction are included in the cost of the asset.

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

3. Significant accounting policies (continued)

3.5 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is the construction costs and/or purchase consideration together with any incidental costs of acquisition.

Cost includes construction costs and professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	10
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

During 2019, the Group has changed the useful life of the buildings. For more details refer note 4.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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

3.6 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. Significant accounting policies (continued)

3.6 Impairment of tangible assets (continued)

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

3.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment property under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 40: Investment property.

Depreciation is charged so as to write-off the cost of completed investment properties on a straight line basis over the average estimated useful lives of 25 years.

The useful lives and depreciation method of investment properties are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these properties.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the consolidated statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. Such transfers are made at the carrying value of the properties at the date of transfer.

3.8 Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

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

3. Significant accounting policies (continued)

3.9 Statutory reserve

As required by the U.A.E. Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid-up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

3.10 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 Provision for employees' end-of-service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period as stipulated in the Labour Laws of the respective countries of operations. The expected costs of these benefits are accrued over the period of employment. Pension and national insurance contributions for the U.A.E. Nationals are made by the Group in accordance with Federal Law No. 7 of 1999 (as amended).

3.12 Value added tax

Value added tax (VAT) asset/liability is recognised in the books on the basis of regulations defined by Tax authorities of the relevant jurisdictions.

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the financial statements.

During the ordinary course of business, the Group has certain transactions on which the ultimate output VAT is determined based on best interpretations of the applicable laws and industry practices. The Group has classified the hotel apartments or service apartment as a residential unit for the purpose of considering output VAT.

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

3. Significant accounting policies (continued)

3.13 Revenue recognition

Revenue from contracts with customers

IFRS 15 *Revenue from Contracts with Customers* outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1 Identify the contract 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 each of those rights and obligations.
Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any 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 Group has an enforceable right to payment for performance obligation completed to date.

In cases where the Group determines the performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer.

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

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

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

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

3. Significant accounting policies (continued)

3.13 Revenue recognition (continued)

Property management fees

Management fees principally relate to property management services provided to owners of the Group's completed developments. Revenue in respect of these fees is recognised in line with the property management contracts and, following the accrual basis, is recognised in the period to which the services relate.

Income from deposits

Income from deposits is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Income from deposits is accrued on a timely basis, by reference to the principal outstanding and at the effective profit or interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing income

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.

3.14 Foreign currencies

At each reporting date, monetary items denominated in foreign currencies are retranslated at the closing rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

3.15 Taxation

There is no income tax applicable to the Group operations in the U.A.E. In jurisdictions other than the U.A.E., in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Group. Where applicable, provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries that are operating in taxable jurisdictions in accordance with relevant tax regulations in respective countries in which the Group operates. Expense on the statement of profit or loss and other comprehensive income is the expected tax payable on the current year taxable income using prevailing rates at reporting date, and any adjustments to the tax payable in respect of prior years.

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

3. Significant accounting policies (continued)

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Board of Directors are the chief operating decision makers of the Group. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Critical accounting judgments and key sources of estimation of uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment or development property. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and development property. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 40, IAS 16 and IAS 2, and in particular, the intended usage of property as determined by the management.

Fair value of investment properties

The Group has determined the fair value of the investment properties based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). The fair value has been determined using the comparative and investment methods, where the valuer has analysed appropriate comparable investment and rental transactions, together with the demand within the vicinity of the investment properties, after taking to consideration, size, location, terms and other material factors. In estimating the fair value of investment properties, management believes that the highest and best use of the property is their current use.

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

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

Critical judgments in applying accounting policies (continued)

Financial investment

Financial investment represents the Group's 20% equity interest in a related entity (note 10). Management has assessed the impact of IAS 28 Investments in Associates and Joint Ventures and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

Satisfaction of performance obligations under IFRS 15 Revenue from Contracts with Customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

Determination of transaction prices

In the process of determining transaction prices in respect of its contracts with customers, the Group assesses impact of any variable consideration in the contract due to discounts, penalties, the existence of any significant financing component or any non-cash consideration. In determining the impact of variable consideration the Group uses the most likely amount method under IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Allocation of transaction price to performance obligation in contracts with customers

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

Determining the lease term

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

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

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

Critical judgments in applying accounting policies (continued)

Discounting of lease payments

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the date of initial application upon transition to IFRS 16. The lease payments are discounted using its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing has been received.

Distinguishing between business combination and acquisition of an asset

The Group distinguishes a transaction or other event as business combination i.e. obtaining control of one or more businesses, and acquisition of an asset or a group of assets, based on management's judgement on whether a particular set of assets and activities consist of inputs and processes applied to those inputs, which together are or will be used to create outputs. During the year, the Group has acquired 100 percent equity interest of two entities, through a share purchase agreement, from a related party. This share purchase transaction has been accounted for as an acquisition of assets, as it does not constitute a business under *IFRS 3 Business Combinations.* For more details refer Note 18.

Key sources of estimation uncertainty

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

Cost to complete the projects

At each reporting date, the Group is required to estimate costs to complete its development projects. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. The Group uses its commercial teams together with project managers to estimate the costs to complete the development projects. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated based on the requirement.

Impairment of property and equipment

The Group assesses whether there are any indicators of impairment for property and equipment at each reporting date. Property and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

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

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

Key sources of estimation uncertainty (continued)

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied based on expected credit losses on such receivables.

Impairment of investment properties

The Group assesses whether there are any indicators of impairment for investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts are higher than their fair values.

At 31 December 2019, the Group has estimated the market value of its investment properties on the basis of valuation carried out by an independent external valuation expert. For more details refer Note 12.

Net realisable value of development properties

The realisable values of development properties were determined by the management based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), and are reflective of the economic conditions prevailing as at the reporting date, and changes in the development plan of certain projects.

The valuation method used for 'properties under development' was the residual valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realization from the projected sales price of the properties. From this is deducted the outstanding estimated cost to service the property including a developer's margin to arrive at a residual value. The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 10% to 20% (2018: 12.5% to 20%) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

The valuation method used for 'completed properties' and 'land held for development' was the comparable method which is based on similar transactions in the market adjusted for market risk, legal risk and property risk inherent to each of the properties.

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

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

Key sources of estimation uncertainty (continued)

Completion of projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

Useful lives of property and equipment and investment properties

The costs of property and equipment and completed investment properties are depreciated over the estimated useful lives of the assets. The estimated useful lives are based on the expected usage of the assets and expected physical wear and tear, which depend on operational factors. Management has not considered any residual value as it is deemed immaterial.

Change in useful life of building

The useful life considered to depreciate buildings relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. During 2019, the Group has changed the estimated useful life of the building from 25 to 10 years. The total comprehensive income per year would be reduced by AED 4.8 million due to this change until 31 December 2028.

5. Segment analysis

The Group currently comprises a single reportable operating segment, being property development. Information reported to the Board of Directors for the purpose of the resource allocation and assessment of performance is primarily determined by the geographical location of these operations.

Revenue, operating results, assets and liabilities presented in the consolidated financial statements of the Group pertains to property development segment of the Group.

Geographic information for the Group is split between operations in the U.A.E. "Domestic" and operations in other jurisdictions "International".

	2019	2018
	AED'000	AED'000
Revenue		
Domestic	**4,281,830**	5,321,629
International	**117,387**	811,046
	4,399,217	6,132,675
Development properties		
Domestic	**8,525,051**	8,172,378
International	**1,002,202**	1,042,144
	9,527,253	9,214,522

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

6. Cash and bank balances

	2019 AED'000	2018 AED'000
Cash on hand	**1,662**	1,468
Cash held in escrow	**3,445,957**	5,127,448
Bank balances	**84,845**	74,858
Fixed deposits	**1,113,384**	969,748
Cash and bank balances	**4,645,848**	6,173,522
Fixed deposits with an original maturity of greater than three months	**(487,403)**	(630,633)
Bank overdrafts (note 16)	**(27,138)**	-
Cash and cash equivalents	**4,131,307**	5,542,889

Cash held in escrow represents cash received from customers which is held with banks authorised by the Real Estate Regularity Authority ("RERA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence is considered as cash and cash equivalents.

Balances with banks are assessed to have low credit risk of default since these assets are held with banks that are highly regulated by the central banks of the respective countries. Accordingly, the management estimates the loss allowance at the end of the reporting period at an amount equal to 12-month ECL.

Considering the historical default experience and the current credit ratings of the banks, the management have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

Fixed deposits are financial assets held by banks with maturity period of less than and more than three months from the date of placement. As at reporting date, the fixed deposits earned interest at rates ranging from 1% to 6% (2018: 1% to 6%) per annum.

At the reporting date, fixed deposits and bank balances of AED 496 million (2018: AED 200 million) are held by banks under lien against credit facilities issued to the Group.

The Group holds certain bank accounts for the beneficial interest of Owner's Associations, which are not recorded in these consolidated financial statements.

At the reporting date, an amount of AED 2,333 million (2018: AED 3,629 million) is held with Islamic banks and the remaining balance is held with conventional banks.

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

7. Trade and other receivables

	2019 AED'000	2018 AED'000
Unbilled receivables *(i)*	**4,313,599**	4,447,471
Trade receivables *(ii)*	**2,965,014**	2,775,209
Provision for impairment on trade receivables *(iii)*	**(65,432)**	(24,108)
	7,213,181	7,198,572
Advances and deposits	**615,075**	778,766
Other receivables, prepayments and other assets	**181,859**	142,895
	8,010,115	8,120,233

(i) Unbilled receivables are contract assets which relate to the Group's right to receive consideration for work completed but not billed at the reporting date. These are transferred to trade receivables when invoiced.

Movement in unbilled receivables during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**4,447,471**	5,118,024
Increase in due to project progress	**2,640,917**	3,122,381
Transfer to trade receivables	**(2,774,789)**	(3,792,934)
Balance at the end of the year	**4,313,599**	4,447,471

(ii) Trade receivables represent amounts due from customers. Customers are allowed 30 days from each invoice date to settle outstanding dues.

(iii) Movement in the provision for impairment on trade receivables during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**(24,108)**	(131,866)
Net (provision)/ reversal of impairment during the year	**(41,324)**	107,758
Balance at the end of the year	**(65,432)**	(24,108)

The Group has assessed and provided for doubtful trade receivables at the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk.

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

7. Trade and other receivables (continued)

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

The Group establishes an allowance for impairment at each reporting date that represents its estimate of expected credit losses in respect of trade, unbilled and other receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group has calibrated the matrix to adjust the historical credit loss experience with forward-looking information.

Ageing of unbilled and trade receivables that are not impaired is as follows:

	Neither past due nor impaired AED'000	1 – 60 days AED'000	61 – 120 days AED'000	121 – 180 days AED'000	Above 180 days AED'000	Total AED'000
31 December 2019	**4,313,599**	**409,038**	**223,628**	**197,079**	**2,069,837**	**7,213,181**
31 December 2018	4,447,471	283,418	513,047	260,279	1,694,357	7,198,572

Ageing of impaired trade receivables is as follows:

	1 – 60 days AED'000	61 – 120 days AED'000	121 – 180 days AED'000	Above 180 days AED'000	Total AED'000
31 December 2019	**1,601**	**2,444**	**3,817**	**57,570**	**65,432**
31 December 2018	221	190	880	22,817	24,108

8. Development properties

Development properties represent development and construction costs incurred on properties being developed for sale. Movement during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**9,214,522**	9,643,051
Additions	**3,543,015**	3,639,059
Transfer to cost of sales	**(3,105,910)**	(3,998,731)
Disposal of a subsidiary	-	(14,711)
Provision for impairment	**(124,374)**	(54,146)
Balance at the end of the year	**9,527,253**	9,214,522

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

8. Development properties (continued)

Impairment of development properties

At 31 December 2019, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the fair value for each of the projects.

This review resulted in an impairment provision of AED 124 million during the current year (2018: AED 54 million).

For impairment losses recognised in prior periods, the Group has assessed, based on internal and external sources of information, and concluded that the carrying value of the related development property is appropriately stated as per IAS 2.

Assets held as development properties

The development properties balance includes land held for future development, properties under development and completed properties held in inventory. The balances above are split into the categories as follows:

	2019 AED'000	2018 AED'000
Land held for future development	**751,265**	576,908
Properties under development	**6,587,276**	6,546,544
Completed properties	**2,188,712**	2,091,070
	9,527,253	9,214,522

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 31 December 2019 is AED 1,002 million (2018: AED 1,042 million).

9. Other financial assets

	2019 AED'000	2018 AED'000
Escrow retention accounts	**856,026**	1,019,836
Margin deposits	**12,249**	33,426
Other	**2,119**	2,005
	870,394	1,055,267

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

9. Other financial assets (continued)

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regulatory Authority ("RERA") authorised bank accounts. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds earn profit or interest at relevant commercial rates.

Other financial assets are assessed to have low credit risk of default since these assets are held with banks that are highly regulated by the central banks of the respective countries. Accordingly, the management of the Group estimates the loss allowance at the end of the reporting period at an amount equal to 12 month ECL. Considering the historical default experience and the current credit ratings of the banks, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

At 31 December 2019, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

At the reporting date, out of total escrow retention accounts, an amount of AED 501 million (2018: AED 654 million) is held with Islamic banks and the remaining balance is held with conventional banks.

10. Financial investment

This financial investment is the Group's strategic investment in Damac International Limited, which represents a 20% equity interest in the related entity.

This financial investment is measured at fair value through other comprehensive income as this investment is not held for trading and debt securities are not held to collect and sell. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income as this is considered to be more appropriate for these strategic investments. The fair value of the financial investment is a level 3 recurring fair value measurement. The valuation techniques and significant unobservable inputs used in determining the fair value measurement, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial instrument	Valuation techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Equity instruments	The Group has adopted income approach to determine the fair value	1. Expected cash flows 2. Discount rate of 14%	The higher the discount rate, the lower the fair value of the financial investment

There has been no change in valuation techniques used and fair value of the investments during the year.

During the year, the Group increased its investment from AED 283 million to AED 370 million (2018: from AED 263 million to AED 283 million).

A change of 100 basis points in discount rate adopted by the Group would have increased/ (decreased) other comprehensive income for the year by AED 0.2 million and a change of 500 basis points of the expected cash flows would have increased/ (decreased) other comprehensive income for the year by AED 9 million.

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

11. Property and equipment

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipments AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1 January 2018	91,858	76,890	110,106	5,308	284,162
Additions	-	4,082	6,883	-	10,965
Disposals	-	(4,224)	(1,187)	(751)	(6,162)
At 31 December 2018	91,858	76,748	115,802	4,557	288,965
Additions	219	2,942	4,538	3,649	11,348
Disposals	-	-	(883)	(222)	(1,105)
At 31 December 2019	**92,077**	**79,690**	**119,457**	**7,984**	**299,208**

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipments AED'000	Motor vehicles AED'000	Total AED'000
Accumulated depreciation:					
At 1 January 2018	3,103	59,674	67,544	3,389	133,710
Charge for the year	3,724	3,166	12,378	689	19,957
Disposals	-	(4,014)	(756)	(681)	(5,451)
At 31 December 2018	6,827	58,826	79,166	3,397	148,216
Charge for the year	8,513	3,190	10,935	538	23,176
Disposals	-	-	(156)	(68)	(224)
At 31 December 2019	**15,340**	**62,016**	**89,945**	**3,867**	**171,168**
Carrying value					
At 31 December 2019	**76,737**	**17,674**	**29,512**	**4,117**	**128,040**
At 31 December 2018	85,031	17,922	36,636	1,160	140,749

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

12. Investment properties

Investment properties represent completed properties held at cost less accumulated depreciation and any impairment losses under the cost model in accordance with IFRS.

Movement during the year is as follows:

	2019 AED'000	2018 AED'000
Cost:		
At 1 January 2019	**203,114**	203,114
Additions/ deletions	-	-
At 31 December 2019	**203,114**	203,114
Accumulated Depreciation:		
At 1 January 2019	**(14,218)**	(6,093)
Charge for the year	**(8,125)**	(8,125)
Balance at the end of the year	**(22,343)**	(14,218)
Carrying Value	**180,771**	188,896

Fair value of the investment properties were determined under the comparable and investment method which involves assumptions such as current and estimated rental values at an equivalent yield of approximately 8.3% (2018: 8.3%) and vacancy rate of 10% (2018: 15%). The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and U.A.E. Laws and Regulations and is reflective of the economic conditions prevailing as at the reporting date.

At 31 December 2019, the fair value of the completed investment properties and related land was AED 298 million (2018: AED 304 million) on the basis of a valuation carried out by an independent external valuation expert. The investment properties are located in the U.A.E., and are categorised under Level 3 in the fair value hierarchy.

All of the investment properties held by the Group are rental generating. During the year, AED 30 million (2018: AED 27 million) has been recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to AED 7 million (2018: AED 2 million).

As at December 31, 2019 and 2018, there were no restrictions on the realization of investment properties or the remittance of income and proceeds of disposal. Further, there are no obligations to construct, develop or purchase investment properties.

13. Share capital

	2019 AED'000	2018 AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

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

14. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	**807,954**	883,151
Accruals	**1,171,228**	1,036,997
Retentions payable *(i)*	**1,024,187**	944,702
Deferred consideration payable for land	**75,000**	360,000
Other payables *(ii)*	**315,564**	226,503
Provision for employees' end-of-service indemnity *(iii)*	**51,657**	49,720
	3,445,590	3,501,073

(i) Retentions comprise amounts due to contractors which are held for one year after the completion of a project until the defects liability period has passed and are typically between 5% and 15% of work done.

	2019 AED'000	2018 AED'000
Retentions payable within 12 months	**520,380**	265,753
Retentions payable after 12 months	**503,807**	678,949
	1,024,187	944,702

(ii) Reconciliation of liabilities arising from financing activities

	1 January 2019 *(a)* AED'000	Cash flows *(b)* AED'000	Other changes *(c)* AED'000	31 December 2019 *(a)* AED'000
Other payables	58,581	(296,345)	290,999	53,235

(a) Balance at the beginning and the end of the year represent provision for finance costs that are included under other payables.
(b) The cash flows represent finance costs paid during the year in the consolidated statement of cash flows.
(c) Other changes represent finance costs charged to the consolidated statement of profit or loss and other comprehensive income during the year.

(iii) Movement in provision for employees' end-of-service indemnity during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**49,720**	47,562
Charge for the year	**12,998**	13,921
Payments during the year	**(11,061)**	(11,763)
Balance at the end of the year	**51,657**	49,720

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

15. Advances from customers

Advances from customers are contract liabilities which represent payments received from customers for sale of properties for which revenue has not yet been recognised.

Movement during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**2,617,811**	3,274,496
Amounts billed during the year	**4,230,784**	5,504,120
Revenue recognised during the year	**(4,355,622)**	(6,070,137)
Other operating income recognised during the year (note 20)	**(121,745)**	(90,668)
Balance at the end of the year	**2,371,228**	2,617,811

16. Bank borrowings

	2019 AED'000	2018 AED'000
Bank facilities	**522,543**	667,213
Overdrafts (note 6)	**27,138**	-
	549,681	667,213

a) At the reporting date, an amount of AED 138 million (2018: AED 194 million) is outstanding with Islamic banks and the remaining balance with conventional banks.

b) Details of the Group's bank facilities are as follows:

Islamic banks and financial institutions

The Group has the following Sharia compliant financing facility with an Islamic financial institution:

- AED 250 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.25% per annum, repayable by 2020. Out of this, AED 112 million was repaid as at 31 December 2019.

Conventional banks and financial institutions

The Group has the following unsecured interest-bearing loans and financing facilities with conventional banks and financial institutions:

- AED 276 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2020. Out of this, AED 138 million was repaid as at 31 December 2019.
- AED 367 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022. Out of this, AED 121 million was repaid as at 31 December 2019.
- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. Out of this, AED 66 million was repaid as at 31 December 2019.

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

16. Bank borrowings (continued)

c) As at 31 December 2019, the Group had arranged for bank facilities amounting to AED 2,245 million (2018: AED 1,972 million) in the form of letters of credit and guarantees out of which AED 1,304 million (2018: AED 754 million) remained unutilised as at the reporting date.

d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 470 million (2018: AED 598 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 521 million (2018: AED 200 million).

e) Repayment profile of the Group's bank borrowings at the reporting date is as follows:

	2019 AED'000	2018 AED'000
On demand or within one year	**424,847**	237,201
In the second and third years	**124,834**	430,012
	549,681	667,213

f) The cash flows from bank facilities represent net drawdown of borrowings in the consolidated statement of cash flows.

	1 January 2019	Cash flows *(i)*	Other changes	31 December 2019
	AED'000	AED'000	AED'000	AED'000
Bank facilities	667,213	(144,670)	-	522,543

(i) The cash flows from bank facilities represent drawdowns net of repayments during the year in the consolidated statement of cash flows.

17. Sukuk certificates

	2019 AED'000	2018 AED'000
Sukuk certificates	**3,305,686**	4,300,440
Unamortised issue costs	**(13,775)**	(20,006)
Carrying amount	**3,291,911**	4,280,434

Movement in unamortised issue costs is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**20,006**	21,460
Incurred during the year	**-**	11,282
Amortised during the year	**(6,231)**	(12,736)
Balance at the end of the year	**13,775**	20,006

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

17. Sukuk certificates (continued)

- On 9 April 2014, the Group issued US$ 650 million (AED 2,389 million) Sukuk Trust Certificates (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificateholders are paid returns at the rate of 4.97% per annum.

  On 20 April 2017, the Group repurchased sukuk certificates worth US$ 197.7 million (AED 727 million) at a premium. On 19 April 2018, the Group repurchased sukuk certificates worth US$ 181.6 million (AED 667 million) at a premium. On 9 April 2019, the Group repaid outstanding balance of US$ 270.7 million (AED 995 million). The Group has fully repaid its obligation on or before schedule with the aforementioned payment.

- On 20 April 2017, the Group issued US$ 500 million (AED 1,838 million) Sukuk Trust Certificates (the "Certificates") maturing in 2022. Alpha Star Holding III Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificateholders are paid returns at the rate of 6.25% per annum.

- On 18 April 2018, the Group issued US$ 400 million (AED 1,470 million) Sukuk Trust Certificates (the "Certificates") maturing in 2023. Alpha Star Holding V Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificateholders are paid returns at the rate of 6.625% per annum.

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

17. Sukuk certificates (continued)

The repayment profile of sukuk certificates is as follows:

	2019 AED'000	2018 AED'000
Amount due for settlement within 12 months	-	993,324
Amount due for settlement after 12 months	**3,291,911**	3,287,110
	3,291,911	4,280,434

Reconciliation of liabilities arising from financing activities

	1 January 2019 AED'000	Cash flows *(i)* AED'000	Other changes *(ii)* AED'000	31 December 2019 AED'000
Sukuk certificates	4,280,434	(994,754)	6,231	3,291,911

(i) The cash flows from sukuk certificates represent repayment of sukuk outstanding balance of US$ 270.7 million (AED 995 million) in the consolidated statement of cash flows.

(ii) Other changes represent issue costs amortised to the consolidated statement of profit or loss and other comprehensive income during the year.

18. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24: *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges which are substantially the same terms as those prevailing at the same time for comparable transactions with the third parties. Pricing policies and terms of all transactions are approved by the management.

Nature of significant related party transactions and amounts involved are as follows:

	2019 AED'000	2018 AED'000
Entities under the control of Chairman		
Investment in Damac International Limited *(i)*	**(86,680)**	(20,400)
Support services fees *(ii)*	**4,836**	4,836
Purchase of land plot *(iii)*	**(285,000)**	-

(i) Investment in Damac International Limited

During the year, the Group increased its investment in Damac International Limited by AED 87 million (2018: AED 20 million), a related entity under the control of the Chairman. (note 10).

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

18. Related party transactions (continued)

(ii) Support services fees

During the year, the Group received AED 4.8 million (2018: AED 4.8 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the control of the Chairman (note 22).

(iii) Purchase of land plot:

On 8 September 2019, the Group signed a share purchase agreement ("SPA") to acquire 100% of the issued share capital of Zenica Property Development LLC and Pathfinder Property Development LLC (the "Special Purpose Vehicles" or "SPVs" incorporated in Dubai each owning a plot of land) from DICO Property CO. LLC, a related party. The cost of the acquisition amounted to AED 285 million, determined based on the relative fair values of the land plots as at the date of purchase. The consideration was paid in full and there are no amounts outstanding as at the year end.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*.

	2019 AED'000	2018 AED'000
Salaries and other short-term employee benefits	**10,869**	11,647
Other long term benefits	**557**	496
	11,426	12,143

19. Revenue

Revenue recognised over time and point in time is provided as below:

	2019 AED'000	2018 AED'000
Over time	**4,262,641**	5,289,404
Point in time	**136,576**	843,271
	4,399,217	6,132,675

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied performance obligations is AED 8,231 million (2018: AED 10,327 million). The Group will recognise this revenue as project progress is achieved, which is expected to occur over the next 1 to 4 years.

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

20. Other operating income

	2019 AED'000	2018 AED'000
Income from cancellation of units (note 15)	**121,745**	90,668
Penalties from overdue customers	**14,794**	3,983
Unit registration and transfer fees	**2**	4
	136,541	94,655

21. General, administrative and selling expenses

	2019 AED'000	2018 AED'000
Staff costs	**380,359**	480,265
Selling and marketing expenses	**318,130**	271,951
Repairs and maintenance	**84,298**	56,046
Rent and license fees	**31,354**	43,743
Legal and professional	**55,183**	50,557
Travel and communication	**33,654**	35,016
Bank charges	**18,247**	16,706
Insurance	**12,338**	17,079
Tax expense	**194**	7,910
Other	**41,845**	26,925
	975,602	1,006,198

22. Other income

	2019 AED'000	2018 AED'000
Property management fees	**60,910**	57,853
Support services fees (note 18)	**4,836**	4,836
Gain on disposal of a subsidiary	**-**	2,936
Other	**32,265**	14,570
	98,011	80,195

23. Finance income

	2019 AED'000	2018 AED'000
Islamic banks and financial institutions	**95,797**	89,515
Conventional banks and financial institutions	**54,946**	72,778
	150,743	162,293

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

24. Finance costs

	2019 AED'000	2018 AED'000
Islamic banks and financial institutions	**241,774**	279,190
Conventional banks and financial institutions	**38,128**	46,428
Interest on lease liabilities	**11,097**	-
	290,999	325,618

25. Provision for value added tax

During the year, the Group has reassessed its position for the output VAT to be charged to certain customers. Considering the revised assessment performed by the Group for the contracts signed and installment billed/received before 01 January 2018, the Group has charged additional VAT liability in respect of its operations in UAE. The Group has also charged an additional VAT liability in respect of its operations in Kingdom of Saudi Arabia (KSA) for the period from 01 January 2018 until 30 June 2019.

Considering the above, the total additional VAT liability of AED 217 million has been charged to the statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

26. Contingent liabilities

	2019 AED'000	2018 AED'000
Bank guarantees	**941,370**	1,218,555

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2019.

There were certain claims submitted by the contractors in lieu of various construction projects in the ordinary course of business. Based on the review of opinion provided by the internal legal team, the management has assessed that no material unprovided liabilities will arise as at reporting date. The Group also has certain claims from the customers and other parties for which the management is of the opinion that no cash outflows are expected to be paid by the Group against these legal cases and claims.

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

27. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under developments in progress:

	31 December 2019 AED'000	31 December 2018 AED'000
Contracted for	**3,322,778**	4,585,581

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

27. Commitments (continued)

Operating lease commitments – Group as a lessor

The Group has entered into leases on its investment property portfolio whose contracted periods do not exceed one year.

28. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2019 AED'000	2018 AED'000
Financial assets		
At amortised cost	**12,739,740**	14,440,017
Financial investments at fair value through other comprehensive income	**369,753**	283,073
	13,109,493	14,723,090
Financial liabilities		
At amortised cost	**7,328,896**	8,399,000

(c) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The financial investment (note 10) is classified as Level 3.

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

29. Financial risk management

Management reviews overall financial risk covering specific areas, such as market risk, credit risk, liquidity risk and investing excess cash.

The Group's profile with respect to exposure to financial risks identified below continues to be consistent.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by market risk include interest-bearing loans and borrowings, deposits and financial assets at fair value through other comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

The Group is exposed to interest rate risk as the Group deposits/borrows funds at floating interest rates. The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the reporting date. The analysis is prepared assuming the amount of assets/liabilities outstanding at the reporting date was outstanding for the whole year.

A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by AED 7.2 million (2018: AED 6.8 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

Foreign currency transactions and balances of the Group are denominated in US Dollar or currencies pegged to the US Dollar (AED, Saudi Riyal, Bahraini Dinar, Qatari Riyal, Jordanian Dinar and Lebanese Pound). As a result foreign currency transactions and balances do not represent significant currency risk to the Group.

(d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Ongoing credit evaluation is performed on the financial condition of trade receivables.

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

29. Financial risk management (continued)

(d) Credit risk management (continued)

The carrying amount of financial assets, excluding financial investments, recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

(e) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below are the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table consists only of principal cash flows:

	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2019:				
Non-interest bearing	**2,925,981**	**318,076**	**352,171**	**3,596,228**
Fixed interest rate instruments	**-**	**-**	**3,305,686**	**3,305,686**
Variable interest rate instruments	**424,847**	**124,834**	**-**	**549,681**
	3,350,828	**442,910**	**3,657,857**	**7,451,595**
31 December 2018:				
Non-interest bearing	2,697,404	461,020	292,929	3,451,353
Fixed interest rate instruments	994,520	-	3,305,920	4,300,440
Variable interest rate instruments	237,201	381,007	49,005	667,213
	3,929,125	842,027	3,647,854	8,419,006

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

29. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period:

	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2019:				
Non-interest bearing	**10,307,272**	**320,377**	**128,313**	**10,755,962**
Variable interest rate instruments	**1,983,778**	-	-	**1,983,778**
	12,291,050	**320,377**	**128,313**	**12,739,740**
31 December 2018:				
Non-interest bearing	11,660,834	377,344	376,824	12,415,002
Variable interest rate instruments	2,025,015	-	-	2,025,015
	13,685,849	377,344	376,824	14,440,017

30. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 16 and 17, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

31. Earnings per share

Basic and diluted earnings per share is calculated by dividing the (loss)/ profit for the year by the weighted average number of ordinary shares in issue during the year. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	2019	2018
(Loss)/ profit for the year (AED'000)	**(36,879)**	1,151,894
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**(0.0061)**	0.1904

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

32. Dividend

On 22 April 2018 the Company held its annual general meeting which, among other things, approved a cash dividend equal to AED 0.15 per share amounting to AED 907.5 million. The dividend was paid on 15 May 2018.

33. Subsequent event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Management actively monitors the situation of COVID-19 breakout as it evolves, on its financial condition, liquidity, operations, suppliers, industry, and workforce and will take necessary measures to safeguard interest of all stakeholder of the Group.

34. Comparative figures

The group has reclassified or regrouped certain previous year figures based on the presentation adopted in these consolidated financial statements.

	As previously reported	Reclassification	As reclassified
General, administrative and selling expenses	(898,440)	(107,758)	(1,006,198)
Provision/ (Reversal) of impairment on trade receivables	-	107,758	107,758

35. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 was approved by the Board of Directors and authorised for issue on 26 March 2020.