National Central Cooling Company PJSC

Consolidated financial statements
for the year ended 31 December 2020

National Central Cooling Company PJSC

Consolidated financial statements for the year ended 31 December 2020

pwc

Independent auditor's report to the shareholders of National Central Cooling Company PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together, "the Group") as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

pwc

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

Our audit approach

Overview

Key Audit Matters	• Impairment indicator assessment of property, plant and equipment; and • Valuation for business combination of Downtown District Cooling LLC.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates

Key audit matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

pwc

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment indicator assessment of property, plant and equipment	

The Group has AED 4.44 billion of property, plant and equipment carried in the consolidated statement of financial position representing 33% of the total assets.
 	
The Group's policy is to carry these assets at cost less accumulated depreciation and impairment. The Group performs a detailed impairment assessment of its significant assets whenever there is an indication that the assets may be impaired.
 	
During the year ended 31 December 2020, the Group performed a detailed assessment around external and internal impairment indicators for its property, plant and equipment. The Group has adopted a business model which proved to be resilient towards the impact of COVID-19 and thus the Group did not identify any impairment indicator which would trigger a detailed impairment assessment of its property, plant and equipment.
 	
The impairment indicator assessment is inherently subjective and requires significant estimates and judgements.
 	
Refer to Note 2.3.11 which explains the accounting policy and Note 2.6.2 and 11 which explain the critical estimates used by the Group in the impairment assessment.
	In respect to the Group's impairment indicator assessment for property, plant and equipment, we have performed the following audit procedures:
	
	• Evaluated compliance with the requirements of IAS 36 – Impairment of Assets in relation to the impairment indicators assessment methodology and accounting policy;
	
	• Obtained and analysed the detailed impairment indicators assessment prepared by the management for property, plant and equipment, to determine whether they are reasonable and supportable. As part of the overall impairment indicator assessment, amongst other factors, we reviewed:
	  ◦ market capitalisation of the Group;
	  ◦ the impact on Weighted Average Cost of Capital (WACC) at the reporting date;
	  ◦ remaining useful lives of the assets;
	  ◦ Cash Generating Unit ("CGU") wise budget versus actual comparisons;
	  ◦ Challenged key judgements made by the management while assessing internal and external indicators; and
	
	• Assessed the appropriateness and adequacy of the related disclosures in Note 11 to the consolidated financial statements.

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation for business combination of Downtown District Cooling LLC During the year ended 31 December 2020, the Group acquired 80% equity interest in Downtown District Cooling LLC ("DDC") for a total consideration of AED 2.48 billion. DDC is involved district cooling business. This significant acquisition is part of the Group's strategic plan to expand its business within UAE. On 5 April 2020, the conditions precedent under the Agreement were substantively met, resulting in the Group gaining control of DDC and thus accounting it for as a subsidiary. Details on the acquisition are provided in Note 27.1 of these consolidated financial statements. An independent external valuation specialists (valuer) was engaged by the Group to the perform Purchase Price Allocation (PPA) exercise, fair valuation of the acquired assets & liabilities and identification and valuation of intangible assets of DCP. The acquisition of DDC is a key audit matter as this is a significant transaction during the year which required significant assumptions, estimates and judgements regarding the allocation of purchase price to the assets and liabilities and the identification and valuation of intangible assets i.e. customer contracts and goodwill. *Refer to Note 2.3.1 for the accounting policy and Note 2.6.1 which explains the significant estimates, assumptions and judgement used by the Group.*	We performed the following procedures to assess the key assumptions, estimates and judgement used in performing the PPA exercise and assessing the fair value of the assets and liabilities, acquired in the acquisition: • We reviewed relevant board of directors' resolutions and the contracts related to the acquisition; • We obtained the Purchase Price Allocation report prepared by the independent valuer engaged by the Group; • We assessed the competence, capabilities and objectivity of Group's independent valuer; • We involved our internal valuation experts to review the methodology and assumptions used and to assess reasonableness of the conclusions regarding key assumptions used to determine the fair values of assets and liabilities recognised. Further, we assessed the key assumptions including cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA') and appropriateness of discount and growth rates, whilst considering the risk of management bias; and • We assessed the appropriateness and adequacy of the related disclosures in Note 27.1 to the consolidated financial statements.

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Group's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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 scepticism throughout the audit. We also:

pwc

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent auditor's report to the shareholders of National Central Cooling Company PJSC (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

(i) we have obtained all the information we considered necessary for the purposes of our audit;
(ii) the consolidated financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
(iii) the Group has maintained proper books of account;
(iv) as disclosed in Note 9 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2020;
(v) Note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
(vi) based on the information that has been made available to us, except for the fact that the Directors' report was not available to us at the date of this auditor's report, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2020 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 activities or its consolidated financial position as at 31 December 2020; and
(vii) as disclosed in Note 1 to the consolidated financial statements, the Group has made social contributions of AED 0.7 million during the year ended 31 December 2020.

PricewaterhouseCoopers
14 February 2021

Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirates

National Central Cooling Company PJSC

Consolidated statement of profit or loss

	Notes	Year ended 31 December 2020 AED '000	2019 AED '000
Continuing operations			
Revenues	3	**1,740,715**	1,520,103
Direct costs	6.1	**(886,086)**	(767,549)
Gross profit		**854,629**	752,554
Impairment provision for trade receivables	18	**(5,579)**	(13,576)
Administrative and other expenses	6.2	**(218,986)**	(206,671)
Operating profit		**630,064**	532,307
Finance costs	5	**(221,601)**	(180,793)
Finance income		**2,808**	3,112
Other gains and losses		**79,041**	27,051
Share of results of associates and joint ventures, net	12 , 13	**51,195**	63,474
Profit from continuing operations		**541,507**	445,151
Profit from discontinued operation	12	**31,963**	35,653
Profit for the year		**573,470**	480,804
Attributable to:			
Equity holders of the parent			
Profit from continuing operations		**518,379**	436,826
Profit from discontinued operation		**31,963**	35,653
		550,342	472,479
Non-controlling interests			
Profit from continuing operations		**23,128**	8,325
Profit from discontinued operation		**-**	-
		23,128	8,325
		573,470	480,804
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders of the parent (AED)		**0.19**	0.16
Basic and diluted earnings per share from discontinued operations attributable to ordinary equity holders of the parent (AED)		**0.01**	0.01
Total basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.20**	0.17

The attached notes 1 to 32 form part of these consolidated financial statements.

تبريد tabreed

National Central Cooling Company PJSC

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2020 AED '000	2019 AED '000
Profit for the year		**573,470**	480,804
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of derivatives in cash flow hedges related to Interest Rate Swaps ("IRS")	26	**(17,016)**	(8,249)
Share of changes in fair value of derivatives of associates and a joint venture in cash flow hedges related to IRS	12 , 13	**(28,509)**	(19,418)
Exchange differences arising on translation of overseas operations		**206**	682
Total other comprehensive loss		**(45,319)**	(26,985)
Total comprehensive income for the year		**528,151**	453,819
Attributable to:			
Equity holders of the parent			
Profit from continuing operations		**473,060**	409,841
Profit from discontinued operation		**31,963**	35,653
		505,023	445,494
Non-controlling interests			
Profit from continuing operations		**23,128**	8,325
Profit from discontinued operation		**-**	-
		23,128	8,325
		528,151	453,819

The attached notes 1 to 32 form part of these consolidated financial statements.

National Central Cooling Company PJSC

Consolidated statement of financial position

	Notes	As at 31 December 2020 AED '000	2019 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	**299,489**	66,956
Property, plant and equipment	11	**4,437,282**	3,940,360
Right-of-use assets	16	**165,469**	136,267
Intangible assets	14	**2,360,127**	28,527
Investments in associates and joint ventures	12 , 13	**358,258**	605,708
Advance towards investment in an associate	12	**-**	126,274
Finance lease receivables	15	**2,793,069**	2,836,547
		10,413,694	7,740,639
Current assets			
Inventories		**42,420**	34,673
Trade and other receivables	18	**898,467**	593,424
Finance lease receivables	15	**315,581**	307,984
Cash and bank balances	19	**1,312,894**	226,902
		2,569,362	1,162,983
Assets held for sale	12	**329,885**	-
Total assets		**13,312,941**	8,903,622
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	**2,715,529**	2,715,529
Treasury shares		**(2,016)**	(2,016)
Statutory reserve	21	**413,020**	358,466
Retained earnings		**2,133,906**	1,923,249
Foreign currency translation reserve		**(1,480)**	(1,686)
Cumulative changes in fair value of derivatives in cash flow hedges		**(94,078)**	(48,553)
Equity attributable to the equity holders of the parent		**5,164,881**	4,944,989
Non-controlling interests		**710,289**	70,666
Total equity		**5,875,170**	5,015,655
Liabilities			
Non-current liabilities			
Trade and other payables	26	**116,727**	95,261
Interest bearing loans and borrowings	22	**2,132,930**	870,477
Islamic financing arrangements	23	**630,681**	-
Non-convertible Bonds and Sukuks	24	**3,639,348**	1,828,843
Lease liabilities	17	**219,599**	247,495
Employees' end of service benefits	25	**36,486**	31,390
		6,775,771	3,073,466
Current liabilities			
Trade and other payables	26	**593,722**	620,013
Interest bearing loans and borrowings	22	**23,477**	147,234
Lease liabilities	17	**44,801**	47,254
		662,000	814,501
Total liabilities		**7,437,771**	3,887,967
Total equity and liabilities		**13,312,941**	8,903,622

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for the year ended 31 December 2020.

Khaled Abdulla Al Qubaisi	**Bader Al Lamki**	**Adel Al Wahedi**
Chairman	Chief Executive Officer	Chief Financial Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

National Central Cooling Company PJSC

Consolidated statement of changes in equity

	Attributable to equity holders of the parent									
	Issued capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Retained earnings AED'000	Foreign currency translation reserve AED'000	Cumulative changes in fair value of derivatives AED'000	Other reserve AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2019	2,715,529	(2,016)	316,867	955,960	(2,368)	(20,886)	706,920	4,670,006	67,462	4,737,468
Effect of implementation of IFRS-16	-	-	-	87,290	-	-	-	87,290	-	87,290
Balance at 1 January 2019 (restated)	2,715,529	(2,016)	316,867	1,043,250	(2,368)	(20,886)	706,920	4,757,296	67,462	4,824,758
Profit for the year	-	-	-	472,479	-	-	-	472,479	8,325	480,804
Other comprehensive loss for the year	-	-	-	-	682	(27,667)	-	(26,985)	-	(26,985)
Total comprehensive income for the year	-	-	-	472,479	682	(27,667)	-	445,494	8,325	453,819
Transfer to statutory reserve	-	-	41,599	(41,599)	-	-	-	-	-	-
Dividends paid to shareholders (note 8)	-	-	-	(257,975)	-	-	-	(257,975)	-	(257,975)
Other reserve transferred to retained earnings	-	-	-	706,920	-	-	(706,920)	-	-	-
Effect of additional ownership in a subsidiary	-	-	-	174	-	-	-	174	(1,656)	(1,482)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(3,465)	(3,465)
Balance at 31 December 2019	2,715,529	(2,016)	358,466	1,923,249	(1,686)	(48,553)	-	4,944,989	70,666	5,015,655
Balance at 1 January 2020	**2,715,529**	**(2,016)**	**358,466**	**1,923,249**	**(1,686)**	**(48,553)**	**-**	**4,944,989**	**70,666**	**5,015,655**
Profit for the year	-	-	-	**550,342**	-	-	-	**550,342**	**23,128**	**573,470**
Other comprehensive loss for the year	-	-	-		**206**	**(45,525)**	-	**(45,319)**	-	**(45,319)**
Total comprehensive income for the year	**-**	**-**	**-**	**550,342**	**206**	**(45,525)**	**-**	**505,023**	**23,128**	**528,151**
Transfer to statutory reserve	-	-	**54,554**	**(54,554)**	-	-	-	-	-	-
Dividends paid to shareholders (note 8)	-	-	-	**(285,131)**	-	-	-	**(285,131)**	-	**(285,131)**
Non-controlling interest on acquisition of a subsidiary (note 27)	-	-	-	**-**	-	-	-	-	**619,953**	**619,953**
Dividends paid to non-controlling interests	-	-	-	**-**	-	-	-	-	**(3,458)**	**(3,458)**
Balance at 31 December 2020	**2,715,529**	**(2,016)**	**413,020**	**2,133,906**	**(1,480)**	**(94,078)**	-	**5,164,881**	**710,289**	**5,875,170**

The attached notes 1 to 32 form part of these consolidated financial statements.

National Central Cooling Company PJSC

Consolidated statement of cash flows

	Notes	Year ended 31 December 2020 AED '000	2019 AED '000
Operating activities			
Profit from continuing operations		**541,507**	445,151
Profit from discontinued operations		**31,963**	35,653
Profit for the year including discontinued operations		**573,470**	480,804
Non-cash adjustments:			
Depreciation of property, plant and equipment	11	**167,617**	150,114
Depreciation of right of use assets	16	**21,742**	19,896
Amortisation of intangible assets	14	**33,030**	-
Finance lease income	3	**(200,887)**	(262,169)
Share of results of associates and joint ventures including discontinued operations, net	12 , 13	**(83,158)**	(99,127)
Net movement in employees' end of service benefits	25	**5,096**	2,135
Other gains and losses		**(79,041)**	(27,051)
Allowance for provision for trade receivables	18	**5,579**	13,576
Finance income		**(2,808)**	(3,112)
Finance costs	5	**221,601**	180,793
Operating cash flows before changes in working capital		**662,241**	455,859
Working capital changes:			
Inventories		**(5,383)**	(1,867)
Trade and other receivables		**(258,900)**	(38,536)
Trade and other payables		**(87,181)**	43,425
Lease rentals received	15	**318,491**	323,029
Net cash flows generated from operating activities		**629,268**	781,910
Investing activities			
Purchase of property, plant and equipment	4	**(16,180)**	(13,005)
Payments for capital work in progress		**(90,104)**	(90,571)
Payment for acquisition of shares in subsidiaries	27	**(2,579,670)**	-
Dividends from a joint venture	13	**7,750**	23,500
Advance towards additional investment in an associate		**-**	(126,274)
Dividends from associates	12	**81,776**	20,725
Payment for acquisition of additional share in a subsidiary		**-**	(1,482)
Finance income received		**1,841**	3,129
Net cash flows used in investing activities		**(2,594,587)**	(183,978)
Financing activities			
Interest bearing loans and borrowings received		**1,864,748**	95,000
Interest bearing loans and borrowings repaid		**(739,317)**	(240,588)
Islamic financing arrangement received		**628,709**	-
Proceeds upon issuance of non-convertible Bonds (net of transaction cost)		**1,808,823**	-
Principal elements of lease payments	17	**(51,795)**	(51,257)
Finance cost paid		**(171,268)**	(161,691)
Dividends paid to shareholders	8	**(285,131)**	(257,975)
Dividends paid to non-controlling interests		**(3,458)**	(3,465)
Net cash flows generated from / (used in) financing activities		**3,051,311**	(619,976)
Net increase / (decrease) in cash and cash equivalents		**1,085,992**	(22,044)
Cash and cash equivalents at 1 January		**226,902**	248,946
Cash and cash equivalents at 31 December	19	**1,312,894**	226,902

The attached notes 1 to 32 form part of these consolidated financial statements.

1 General information

National Central Cooling Company PJSC ("Tabreed" or the "Company" or the "parent") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The company was incorporated under the U.A.E Federal Law No. (8) of 1984, as amended, on 15 March 2016. Subsequently, the U.A.E Federal Law No. (8) of 1984 was superseded by U.AE. Federal Law No (2) of 2015. The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

The Company's registered office is located at P O Box 32444, Dubai, United Arab Emirates.

The Group has made social contributions of AED 0.7 million during the year.

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 14, 2021.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"), IFRSIC Interpretations and applicable requirements of the laws in the UAE.

The consolidated financial statements are prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value and assets held for sale which are measured at lower of carrying value and fair value less cost to sell. The consolidated financial statements have been presented in United Arab Emirates Dirham ("AED") which is the reporting currency of the Company. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

The consolidated statement of profit or loss and the consolidated statements of comprehensive for the prior year have been re-presented to reflect discontinued operations both those operations reported as discontinued in the comparative year together with those classified as discontinued in the current year, separately.

The accounting policies have been consistently applied to all the periods presented.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "Group") as at 31 December 2020 over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

2.2 Basis of consolidation (continued)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses the control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For changes in ownership interests the Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings within equity attributable to owners.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss.

This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidate statement of profit or loss.

2.3 Summary of significant accounting policies

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

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 Revenue recognition

The Group recognises revenue from the following major sources:

- Supply of chilled water
- Rendering of services
- Interest income

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when to recognise revenue, and at what amount.

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

2.3 Summary of significant accounting policies (continued)

2.3.2 Revenue recognition (continued)

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

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

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

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group 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 when (or as) the entity satisfies a performance obligation: The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when 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 completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

(a) Supply of chilled water

Revenue from supply of chilled water comprises the following principle services:

Capacity revenue: represents availability of the service and performance obligation is satisfied over time as the customers make use of the service and network. The billing is done monthly in arrears.

Consumption revenue: represents revenue from consumption of the output of assets used by the customers. Revenue is recognised over time. The billing is done monthly in arrears.

(b) Rendering of services (value chain business)

This mainly represents supervision and design services provided to customers. Revenue from services is recognised as services are rendered. Revenue is recognised over time using the output method.

2.3 Summary of significant accounting policies (continued)

2.3.2 Revenue recognition (continued)

(c) Interest income

Interest income including interest on finance lease receivable is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset. For details on finance lease refer to note 2.28. Finance income on finance lease receivables is included in revenue due to its operating nature.

2.3.3 Foreign currencies

The consolidated financial statements are presented in AED, which is the parent company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Emirati Dirham currency units (AED), which is National Central cooling PJSC functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in the consolidated statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Group companies

The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the reporting date and their statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.3 Summary of significant accounting policies (continued)

2.3.4 Capital work in progress

Capital work in progress is recorded at cost incurred by the Group for the construction of the plants and distribution network. Allocated costs directly attributable to the construction of the assets are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed, and it is available for use.

2.3.5 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the term of the borrowings using the effective interest method. Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement of the liabilities for more than twelve months after the reporting date. Borrowing costs (including finance costs on lease liabilities) that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed and suspended projects or not attributable to qualifying assets are expensed in the period in which they are incurred. During the year ended 31 December 2020, no borrowing cost was capitalised (2019: AED nil).

2.3.6 Trade and other payables

Trade payables are obligations to pay for goods or service that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and related assets	30 years
Buildings	50 years
Distribution networks	50 years
Furniture and fixtures	3 to 4 years
Office equipment and instruments	3 to 4 years
Motor vehicles	4 to 5 years

2.3 Summary of significant accounting policies (continued)

2.3.7 Property, plant and equipment (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group performs regular major overhauls of equipment of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss in the year the asset is derecognised.

2.3.8 Leases

The Group as a lessee

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates are included in the lease payments and are remeasured using the prevailing index or rate at the measurement date.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.3 Summary of significant accounting policies (continued)

2.3.8 Leases (continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets relate to land, plant, building and motor vehicles.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

Operating lease

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Finance lease

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Group reviews the contractual arrangements it enters into with its customers. In instances where the contract conveys the right to control the use of the identified asset for substantially all the economic benefits and the right to direct the use, such contracts are accounted for as a finance lease.
Lease payments are payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the fixed payments (including in-substance fixed payments), less any lease incentives (for e.g. reimbursement of maintenance fee); variable lease payments that depend on an index or a rate; 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 an option to terminate the lease.

2.3 Summary of significant accounting policies (continued)

2.3.8 Leases (continued)

The Group as a lessor (continued)
Finance lease (continued)

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rates. The payments are included in the lease payments and are measured/remeasured using the prevailing index or rate at the measurement date (e.g. lease commencement date for initial measurement or at the time when new CPI rate is available).

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

As an accounting policy choice, management opted to remeasure the lease payments, being a lessor, to effect the subsequent changes resulting from variable lease payments that depend on an index or a rate, in accordance with the guidance provided by IFRS 16 for a lessee. Management has already applied the effect of the catch-up adjustment of this remeasurement in the opening retained earnings as at 1 January 2019.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.3.9 Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the consolidated carrying amount of the investment and goodwill is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

2.3 Summary of significant accounting policies (continued)

2.3.9 Investments in associates and joint ventures (continued)

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the consolidated statement of profit or loss.

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

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

2.3.10 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

2.3.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3 Summary of significant accounting policies (continued)

2.3.11 Impairment of non-financial assets (continued)

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the assets.

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2.3.12 Financial instruments

The Group initially recognises financial assets or financial liabilities designated at fair value through profit or loss, investments measured at fair value through other comprehensive income (FVTOCI) and investments measured at amortised cost on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables, finance lease receivables, cash and bank balances, trade and other payables, interest bearing loans and borrowings, Islamic financing arrangements and non-convertible Bonds, Sukuks, and lease liabilities etc. are recognised on the day they are originated.

2.3 Summary of significant accounting policies (continued)

2.3.12 Financial instruments (continued)

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

Financial assets

Recognition and derecognition:

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

Classification:

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(i) the entity's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial asset.

(a) Financial assets at amortised cost

A financial asset measured at amortised cost are categorised under such category if both of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

2.3 Summary of significant accounting policies (continued)

2.3.12 Financial instruments (continued)

Financial assets (continued)

(b) Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

(c) Financial assets at fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed. Irrevocable designation of financial assets at FVTPL at initial recognition is made by the Group only if by doing so it eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit or loss. The net gain or loss is recognised in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS.

2.3 Summary of significant accounting policies (continued)

2.3.12 Financial instruments (continued)

Financial assets (continued)

(d) 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 the change in business model that results in reclassifying the Group's financial assets. 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.

(e) Write-off

Receivables are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Fair value measurement principles

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair values of investments in mutual funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments including treasury bills, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same or is based on the expected discounted cash flows.

The fair value of unquoted investments, forward exchange contracts, interest rate swaps and options (if any) is determined by reference to discounted cash flows, pricing models or over-the-counter quotes.

Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.3 Summary of significant accounting policies (continued)

2.3.12 Financial instruments (continued)

Impairment

The Group recognises loss allowances for Expected Credit Losses (ECL) on the trade receivables, contract assets and lease receivables that are not measured at FVTPL.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(a) Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(b) Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Definition of default

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

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

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

Significant increase in credit risk

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group’s historical experience and expert credit assessment including forward-looking information.

2.3 Summary of significant accounting policies (continued)

2.3.13 Inventories

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

2.3.14 Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.15 Provisions

(a) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Management reviews its contracts annually.

2.3 Summary of significant accounting policies (continued)

2.3.15 Provisions (continued)

(b) Decommissioning liability

The Group records a provision for decommissioning costs of removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

(c) Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.3.16 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees’ salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

2.3.17 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

2.3 Summary of significant accounting policies (continued)

2.3.17 Derivative financial instruments (continued)

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss under 'Net gain from dealing in foreign currencies and derivatives'.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.3.18 Hedge accounting

Derivatives designated as hedges are classified as either: (i) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or (iii) a hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Group documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

(a) Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVTOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

2.3 Summary of significant accounting policies (continued)

2.3.18 Hedge accounting (continued)

(a) Fair value hedges (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

(c) Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and on an ongoing basis:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets all of the hedge effectiveness requirements, i.e.;
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.3 Summary of significant accounting policies (continued)

2.3.18 Hedge accounting (continued)

(d) Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in consolidated statement of profit or loss.

The Group has adopted the Interest Rate Benchmark Reform amendment to IFRS 9 and IFRS 7 issued in September 2019; hedging relationships and instruments. The Group is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

2.3.19 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 32.

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

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies (continued)

2.3.19 Fair value measurement (continued)

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

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as asset held for sale. External valuers are involved for valuation of significant assets, such as land. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 32.

2.3.20 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

2.3 Summary of significant accounting policies (continued)

2.3.20 Current versus non-current classification (continued)

The Group classifies all other liabilities as non-current.

2.3.21 Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Gain or loss on re-measurement is recognised in consolidated statement of profit or loss and then the revalued amount of the asset is recognised as debit in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

2.3.22 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables include trade receivables for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of trade receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

When a trade and contract receivables are uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2.3.23 Customer contracts

Customer contracts acquired in the business combination are initially recognised at their fair value at the acquisition date. The valuation technique adopted was the multi-period excess earning method. Subsequent to initial recognition, customer contracts are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation of customer contracts is recognised in consolidated statement of profit or loss on a straight-line basis over their estimated useful lives. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.3 Summary of significant accounting policies (continued)

2.3.24 Assets classified as held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss.

2.3.25 Value added tax (VAT)

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a net basis. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.3 Summary of significant accounting policies (continued)

2.3.26 Segment reporting

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income and other income) are managed on a Group basis and are not allocated to operating segments.

2.4 Application of new and revised international financial reporting standards (IFRS)

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. Other than the above, there are no other significant IFRS and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

2.5 Standards and Interpretations in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Management anticipates that these IFRS and amendments will be adopted in the consolidated financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

2 Summary of significant accounting policies (continued)

2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Disclosures relating to the Group's exposure to risks and uncertainties include:

• Capital management	Note 31
• Financial instruments risk management and policies	Note 31
• Sensitivity analysis disclosures	Note 31

2.6.1 Judgments

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

(a) Provisions relating to contracts

The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The Group estimates any such provision based on the facts and circumstances relevant to the contract.

(b) Determining lease terms

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).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

2.6 Significant accounting judgements, estimates and assumptions (continued)

2.6.1 Judgments (continued)

(c) Lessor accounting policy

Under the new guidance provided by IFRS 16, the definition of lease payments has been changed to include the variable lease payments that are based on an index or a rate as part of the net lease investment.

Although IFRS 16 (Leases) does not explicitly require a lessor to reassess the net lease investment at the date of adoption, the Group has updated its accounting policy to include CPI index related payments within the minimum lease payments. In the absence of explicit guidance on the transitional provisions for lessor, the Group has made a judgement to apply the updated accounting policy with effect from 1 January 2019 and adjusted the balance in the retained earnings. In addition, the gain/loss (if any) upon initial recognition of finance lease receivable where the Group also constructs the plant, is included in other gain and losses as management considers this as a non-core business activity.

(d) Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates and the useful lives of assets. The Group's management has used all available information to make these fair value determinations in the recent acquisition of subsidiaries (Note 27).

The Group primarily considers the following information and criteria when determining whether it has control over an entity:

- governance arrangements: voting rights and whether the Group is represented in the governing bodies, majority rules and veto rights etc;
- the nature of substantive or protective rights granted to shareholders, relating to the entity's relevant activities;
- rules for appointing key management personnel; and
- whether the Group is exposed, or has rights, to variable returns from its involvement with the entity etc.

In relation to DDC, the Group has the right to appoint the majority of the directors who can take key decisions relating to the relevant activities of DDC including expanding and acquiring other assets. Furthermore, the Group has the right to appoint all employees of DDC, which provides clear evidence of operational control. The Group is directly and significantly exposed, and has rights to variable returns from DDC and is able to use its power over DDC to affect these returns.

Any rights provided to the minority shareholder are purely protective in nature.

Accordingly, the Group has concluded that it has control over DDC.

2.6.2 Estimates and assumptions

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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the consolidated financial statements when they occur.

2.6 Significant accounting judgements, estimates and assumptions (continued)

2.6.2 Estimates and assumptions (continued)

(a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises expected credit loss for trade receivables, finance lease receivable, due from related parties and cash and bank balances, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

At the reporting date, gross trade receivables were AED 827.6. million (2019: AED 594.6 million) and impairment loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2020 was AED 5.6 million (2019: AED 13.6 million). Provision for impairment at 31 December 2020 is AED 48.9 million (2019: AED 61.4 million).

At the reporting date, gross finance lease receivables were AED 3,145.3 million (2019: AED 3,181.2 million) and provision for impairment at 31 December 2020 is AED 36.7 million (2019: AED 36.7 million). No impairment loss was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: nil).

(b) Impairment of non-financial assets

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units. A broad range of internal and external factors is considered as part of the indicator review process, where necessary, an impairment assessment is performed. Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Group to estimate the amount and timing of future cash flows, terminal value of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows. The net carrying amounts of non-financial assets affected by the above estimations are mainly property, plant and equipment and customer contract assets (Note 11).

2.6 Significant accounting judgements, estimates and assumptions (continued)

2.6.2 Estimates and assumptions (continued)

(c) COVID 19

The economic fallout of COVID-19 crisis is significant in the region the Group operates and is still evolving. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. However, due to the nature of the services, the Group provides, there is no direct impact of COVID-19 on the business. The Group is continuously monitoring the indirect impact of COVID-19 pandemic on the business, operations and its finances, particularly on the usage of chilled water consumption which affects the consumption revenue.

Business continuity planning

The Group is closely monitoring the situation and has invoked crisis management actions to ensure the safety and security of the Group's staff as well as uninterrupted customer service. Alternative working arrangements have been made and administrative staff are currently working remotely.

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecasted economic conditions. In order to assess ECL under forecast economic conditions, the Group concluded that such situation is likely to lead to an increase in the Expected Credit Loss (ECL) from trade receivables. This is mainly due to the increase of the counterparty risk (risk of default) from commercial customers particularly relating to industries which are most affected with COVID 19. The quantification of such increase in risk remains very difficult in the current uncertain environment. However, management has performed revised assessments and an additional loss allowance of AED 5.1 million have been accounted for in these consolidated financial statements. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

Liquidity management

The global market stress brought on by the COVID-19 crisis can negatively affect the liquidity. In this environment, the Group has taken measures to manage liquidity risk until the crisis is over. The Group's credit and treasury department is closely monitoring the cash flows and forecasts.

(d) Impairment of intangible assets, including goodwill

The Group reviews its assets to assess impairment at least on an annual basis. In determining whether impairment losses should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, provision for impairment is made - whenever appropriate - where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

3 Revenues

	2020 AED '000	2019 AED '000
Supply of chilled water	**1,408,148**	1,123,298
Value chain business	**53,827**	63,712
Revenue from contracts with customers	**1,461,975**	1,187,010
Operating lease income	**77,853**	70,924
Finance lease income (note 15)	**200,887**	262,169
Lease income	**278,740**	333,093
	1,740,715	1,520,103

Revenue expected to be recognised in future related to performance obligation that are unsatisfied (or partially unsatisfied):

	2020 AED '000	2019 AED '000
Within one year	**493,771**	369,158
After one but no more than five years	**1,906,843**	1,418,316
More than five years	**7,077,128**	3,689,995
	9,477,742	5,477,469

The unsatisfied performance obligation that is part of value chain business revenue is expected to have a duration of one year or less hence revenue expected to be recognised in future related to performance obligations is not disclosed.

	2020 AED '000	2019 AED '000
Timing of transfer of goods and services:		
At a point in time	**29,921**	38,197
Over time	**1,432,054**	1,148,813
	1,461,975	1,187,010

4 Operating segments

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies (note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

4 Operating segments (continued)

	2020				2019			
	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000
Continuing Operation								
Revenues								
External revenue	**1,686,888**	**53,827**	**-**	**1,740,715**	1,456,391	63,712	-	1,520,103
Inter–segment revenue	**-**	**38,147**	**(38,147)**	**-**	-	24,286	(24,286)	-
Total revenues	**1,686,888**	**91,974**	**(38,147)**	**1,740,715**	1,456,391	87,998	(24,286)	1,520,103
Direct costs	**(856,122)**	**(44,081)**	**14,117**	**(886,086)**	(720,941)	(64,349)	17,741	(767,549)
Gross profit	**830,766**	**47,893**	**(24,030)**	**854,629**	735,450	23,649	(6,545)	752,554
Impairment provision for trade receivables	**(5,259)**	**(320)**	**-**	**(5,579)**	(13,576)	-	-	(13,576)
Administrative and other expenses	**(212,089)**	**(23,643)**	**16,746**	**(218,986)**	(193,857)	(25,811)	12,997	(206,671)
Operating profit	**613,418**	**23,930**	**(7,284)**	**630,064**	528,017	(2,162)	6,452	532,307
Finance costs	**(220,908)**	**(693)**	**-**	**(221,601)**	(180,243)	(550)	-	(180,793)
Finance income	**2,711**	**97**	**-**	**2,808**	3,010	102	-	3,112
Other gains and losses	**79,041**	**-**	**-**	**79,041**	27,051	-	-	27,051
Share of results of associates and joint ventures	**51,195**	**-**	**-**	**51,195**	63,474	-	-	63,474
Profit from continuing operations				**541,507**				445,151
Profit from discontinued operation	**31,963**	-	-	**31,963**	35,653	-	-	35,653
Profit for the year				**573,470**				480,804

4 Operating segments (continued)

Inter-segment transaction are eliminated on consolidation.

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	2020			2019		
	Chilled water AED'000	**Value chain business AED'000**	**Total AED'000**	**Chilled water AED'000**	**Value chain business AED'000**	**Total AED'000**
Depreciation on property, plant and equipment (note 11)	**163,898**	**3,719**	**167,617**	146,204	3,910	150,114
Depreciation on Right-of-use asset (note 16)	**21,278**	**464**	**21,742**	19,523	373	19,896
	185,176	**4,183**	**189,359**	165,727	4,283	170,010

4 Operating segments (continued)

Segment assets and liabilities are as follows:

	2020			2019		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Other segment assets	**12,494,881**	**129,917**	**12,624,798**	8,160,587	137,327	8,297,914
Investments in associates	**339,063**	-	**339,063**	566,454	-	566,454
Investment in joint ventures	**19,195**	-	**19,195**	39,254	-	39,254
Assets held for sale	**329,885**	-	**329,885**	-	-	-
Total assets	**13,183,024**	**129,917**	**13,312,941**	8,766,295	137,327	8,903,622
Segment liabilities	**7,372,803**	**64,968**	**7,437,771**	3,820,888	67,079	3,887,967
Total liabilities	**7,372,803**	**64,968**	**7,437,771**	3,820,888	67,079	3,887,967

4 Operating segments (continued)

The table below illustrates the capital expenditures added during the year:

	2020			2019		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Capital expenditure:						
Property, plant and equipment	**13,937**	**2,243**	**16,180**	10,828	2,177	13,005
Capital work in progress	**89,170**	**-**	**89,170**	126,587	-	126,587

Geographic information

The following table presents certain non-current assets and revenue information relating to the Group based on geographical location of the operating units:

	Revenue		Non-current assets	
	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000
United Arab Emirates	**1,667,824**	1,445,889	**6,845,738**	3,750,937
Others	**72,891**	74,214	**416,629**	421,173
	1,740,715	1,520,103	**7,262,367**	4,172,110

For this purpose, non-current assets comprise of capital work in progress, property, plant and equipment, right-of-use asset and intangible assets.

Revenue from external customers

The following table provides information relating to the Group's major customers, which individually contribute more than 10% towards the Group's revenue for the year ended 31 December 2020 and 31 December 2019.

	2020 AED'000	2019 AED'000
Chilled water segment:		
Customer 1	**361,148**	318,967
Customer 2	**218,046**	275,254
Customer 3	**206,004**	141,153
	785,198	735,374

5 Finance costs

	2020 AED '000	2019 AED '000
Gross interest charge for the year	**221,601**	180,793
Less: interest capitalised during the year	**-**	-
Interest charged to consolidated statement of profit or loss during the year	**221,601**	180,793
Interest charged to consolidated statement of profit or loss comprises of:		
Interest on interest bearing loans and borrowings	**68,936**	56,111
Margin on Sukuk	**100,996**	100,997
Interest on Bonds	**7,620**	-
Profit on Islamic financing arrangements	**4,913**	-
Amortisation of transaction costs (note 19)	**16,919**	4,622
Finance cost related to lease liabilities (note 17,19)	**15,603**	17,234
Other finance costs	**6,614**	1,829
	221,601	180,793

6 Profit from operations

6.1 Direct costs

	2020 AED '000	2019 AED '000
Cost of inventories recognised as an expense (i)	**34,212**	36,430
Depreciation on property, plant and equipment (note 11)	**157,833**	142,487
Depreciation on right-of-use assets (note 16)	**12,419**	11,620
Amortisation on intangible assets (note 14)	**33,030**	-
Utility costs	**521,297**	449,085
Purchase of chilled water from a related party (note 28)	**62,128**	60,839
Staff costs (note 6.3)	**63,306**	64,793
Others	**1,861**	2,295
	886,086	767,549

(i) As at 31 December 2020, the inventory balance represents stores and spares which are utilised for repairs and maintenance of the plants managed by the Group.

6.2 Administrative and other expenses

	2020 AED '000	2019 AED '000
Staff costs (note 6.3)	**147,579**	142,303
Depreciation on property, plant and equipment (note 11)	**9,784**	7,627
Depreciation on right-of-use assets (note 16)	**9,323**	8,276
Other expenses	**52,300**	48,465
	218,986	206,671

6 Profit from operations (continued)

6.3 Staff costs

	2020 AED '000	2019 AED '000
Salaries, benefits and allowances	**204,529**	200,219
Employees' end of service benefits (note 25)	**6,356**	6,877
	210,885	207,096

Staff costs are allocated as follows:

Direct costs (note 6.1)	**63,306**	64,793
Administrative and other expenses (note 6.2)	**147,579**	142,303
	210,885	207,096

7 Basic and diluted earnings per share attributable to ordinary equity holders of the parent

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

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

	2020 AED '000	2019 AED '000
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (AED '000)		
From continuing operations	**518,379**	436,826
From discontinued operation	**31,963**	35,653
	550,342	472,479
Weighted average number of shares (excluding treasury shares) outstanding during the year ('000)	**2,713,514**	2,713,514
Basic earnings per share from continuing operations (AED)	**0.19**	0.16
Basic earnings per share from discontinued operation (AED)	**0.01**	0.01
Total basic earnings per share (AED)	**0.20**	0.17

The Company does not have any instruments which would have a dilutive impact on earnings per share. Therefore, basic and diluted earnings per share are same for the year ended 31 December 2020 and 2019.

8 Dividends and board remuneration

On 14 February 2021, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution of cash dividends of 5.75 fils per share and bonus shares of 2.22% to the shareholders in respect of the fiscal year ended 31 December 2020.

The Board of Directors proposed a cash dividend of 10.5 fils per share to the shareholders in respect of the fiscal year ended 31 December 2019. The shareholders at the Annual General Assembly Meeting held on 15 March 2020 approved the dividend. The dividend amounted to AED 285.1 million and was paid in April 2020.

In 2019, the Board of Directors proposed a cash dividend of 9.5 fils per share to the shareholders in respect of the fiscal year ended 31 December 2018. The shareholders at the Annual General Assembly Meeting held on 6 March 2019 approved the dividend. The dividend amounted to AED 257.9 million and was paid in April 2019.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2019 was also approved at the Annual General Meeting held on 15 March 2020. Board remuneration of AED 7.1 million for the year ended 31 December 2018 was approved at the previous Annual General Meeting held on 6 March 2019.

9 Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

Chilled water segment	**Country of incorporation**	**Percentage of holding**		**Principal activities**
		2020	**2019**	
National Central Cooling Company Ras Al Khaimah LLC	UAE	**100**	100	Sale of chilled water
Summit District Cooling Company	UAE	**100**	100	Sale of chilled water
Bahrain District Cooling Company	Bahrain	**99.8**	99.8	Sale of chilled water
Tabreed Oman SAOC	Oman	**61**	61	Sale of chilled water
Tabreed LLC Oman	Oman	**100**	100	Sale of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	**100**	100	Operation and maintenance of plants
Tabreed Parks Investment LLC	UAE	**100**	100	Sale of chilled water
Prime District Cooling Company LLC	UAE	**75**	75	Sale of chilled water
S&T Cool District Cooling Company LLC (note 13 & 27)	UAE	**100**	100	Sale of chilled water
Tabreed Amaravati District Cooling Private Limited (TADCPL)	India	**100**	100	Sale of chilled water
Downtown District Cooling LLC	UAE	**80**	-	Sale of chilled water
Masdar City Cooling Company Limited	UAE	**100**	**-**	Sale of chilled water

9 Subsidiaries (continued)

	Country of incorporation	Percentage of holding		Principal activities
		2020	**2019**	
Value chain business segment:				
Gulf Energy Systems LLC	UAE	**100**	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	**65**	65	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	**100**	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	**100**	100	Water treatment services and sale chilled water related products
Ian Banham and Associates	UAE	**70**	70	Design and supervision consultancy
Sahara Cooling and Air Conditioning LLC	UAE	**51**	51	Supervision services
Tasleem Metering and Payment LLC	UAE	**100**	100	Billing and collection of chilled water charges
Cooltech Water Treatment LLC (Abu Dhabi)	UAE	**100**	100	Water treatment services and sale chilled water related
Cooltech Water Service L.L.C.	UAE	**100**	100	Water treatment services and sale chilled water related
Tabreed Energy Service L.L.C.	UAE	**100**	100	Building energy efficiency service

Others – Unallocated:				
Tabreed Holdings WLL	Bahrain	**100**	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC	UAE	**100**	100	Act as a holding company
District Utilities Energy Investments L.L.LC	UAE	**100**	100	Act as a holding company
Tabreed India Private Limited	India	**100**	100	Act as a holding company
Tabreed Energy Investments One Person Company LLC	UAE	**100**	100	Act as a holding company
Tabreed Utilities & Metering Energy Investment LLC	UAE	**100**	100	Act as a holding company
Central Utilities & Metering Energy Investment LLC	UAE	**100**	100	Act as a holding company

During the year ended 31 December 2020, the Group purchased 80% equity shares in Downtown District Cooling LLC and 100% shares in Masdar City Cooling Company Limited (note 27).

10 Capital work in progress

The movement in capital work in progress during the year is as follows:

	2020 AED '000	2019 AED '000
Balance at 1 January	**62,912**	93,859
Additions during the year	**89,170**	126,587
Acquisition through business combination (note 27)	**173,820**	-
Transfer to property, plant and equipment (note 11)	**(33,094)**	(54,234)
Transfer to finance lease (note 15)	**-**	(103,300)
	292,808	62,912
Advances to contractors	**6,681**	4,044
Balance at 31 December	**299,489**	66,956

Refer to note 11 for indicators and impairment assessment of cash generating units.

11 Property, plant and equipment

	Land, plant and buildings AED'000	Distribution network AED'000	Furniture and fixtures AED'000	Office equipment and instruments AED'000	Motor vehicles AED'000	Total AED'000
2020						
Cost:						
At 1 January 2020	3,840,041	2,404,794	21,833	50,716	1,327	6,318,711
Additions	8,178	4,126	66	3,810	-	16,180
Acquisition through business combination (note 27)	478,503	136,741	7	12	2	615,265
Transfer from capital work in progress (note 10)	64	30,932	2,098	-	-	33,094
At 31 December 2020	4,326,786	2,576,593	24,004	54,538	1,329	6,983,250
Accumulated depreciation:						
At 1 January 2020	917,220	408,933	8,406	40,901	1,218	1,376,678
Depreciation for the year	103,769	58,928	1,533	3,317	70	167,617
At 31 December 2020	1,020,989	467,861	9,939	44,218	1,288	1,544,295
Net carrying amount before accumulated impairment:						
At 31 December 2020	3,305,797	2,108,732	14,065	10,320	41	5,438,955
Accumulated impairment:						
At 1 January 2020 and at 31 December 2020	527,691	473,982	-	-	-	1,001,673
Net carrying amount after accumulated impairment:						
At 31 December 2020	2,778,106	1,634,750	14,065	10,320	41	4,437,282

11 Property, plant and equipment (continued)

	Land, plant and buildings AED'000	Distribution network AED'000	Furniture and fixtures AED'000	Office equipment and instruments AED'000	Motor vehicles AED'000	Total AED'000
2019						
Cost:						
At 1 January 2019	3,855,847	2,354,554	20,666	47,836	1,327	6,280,230
Additions	3,370	6,659	96	2,880	-	13,005
Transfer from capital work in progress (note 10)	9,582	43,581	1,071	-	-	54,234
Transfer to finance lease (note 15)	(28,758)	-	-	-	-	(28,758)
At 31 December 2019	3,840,041	2,404,794	21,833	50,716	1,327	6,318,711
Accumulated depreciation:						
At 1 January 2019	820,694	359,488	7,711	37,552	1,119	1,226,564
Depreciation for the year	96,526	49,445	695	3,349	99	150,114
At 31 December 2019	917,220	408,933	8,406	40,901	1,218	1,376,678
Net carrying amount before accumulated impairment:						
At 31 December 2019	2,922,821	1,995,861	13,427	9,815	109	4,942,033
Accumulated impairment:						
At 1 January 2019 and at 31 December 2019	527,691	473,982	-	-	-	1,001,673
Net carrying amount after accumulated impairment:						
At 31 December 2019	2,395,130	1,521,879	13,427	9,815	109	3,940,360

11 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2020 AED '000	2019 AED '000
Included in direct costs (note 6.1)	**157,833**	142,487
Included in administrative and other expenses (note 6.2)	**9,784**	7,627
	167,617	150,114

Property, plant and equipment of AED 310.4 million (2019: AED 318.7 million) have been pledged as security against interest-bearing loans (note 22).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment, customer contracts and capital work in progress.

Where required, the Group applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment, customer contracts and capital work in progress approved by the Group's management and Board of Directors.

The calculation of value in use is most sensitive in the following judgements and assumptions:

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant:
- contracted but not connected at year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Group's weighted average cost of capital (WACC) of 6.5% - 10%; and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

During the year ended 31 December 2020, no borrowing cost is capitalised (2019: nil).

12 Investments in associates

The Group has the following investments in associates:

	Country of incorporation	Principal activities	Ownership		Carrying value	
			2020	2019	2020	2019
Industrial City Cooling Company	United Arab Emirates	Sale of chilled water	**20%**	20%	**4,139**	4,703
Qatar Central Cooling Company PJSC*	Qatar	Sale of chilled water	**44%**	44%	**-**	296,057
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	Sale of chilled water	**28%**	20%	**306,199**	172,434
Sahara Cooling Limited	United Arab Emirates	Sale of chilled water	**40%**	40%	**28,725**	93,260
					339,063	566,454

*classified as held for sale

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investments in associates is as follows:

	2020 AED '000	2019 AED '000
At 1 January	**566,454**	528,053
Share of results for the year from continuing operations	**35,191**	35,051
Share of results for the year from discontinued operation (ii)	**31,963**	35,653
Additions (i)	**126,274**	-
Dividends received	**(81,776)**	(20,725)
Share of changes in fair value of effective cash flow hedges	**(4,513)**	(6,334)
Adjustments for inter group transactions	**(4,645)**	(5,244)
Classified as held for sale (ii)	**(329,885)**	-
At 31 December	**339,063**	566,454

The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are same as for the Tabreed. The investments are considered strategic to the Group.

(i) During the year, upon completion of the regulatory approvals, the Group recorded acquisition of 8% additional shares purchased from an existing shareholder of Tabreed District Cooling Company (Saudi), at a price of AED 126.3 million. Accordingly, this amount is transferred from 'Advance towards investment in an associate' to 'investments in associates'. The transaction resulted in an increase in the Group's shareholding in Tabreed District Cooling Company (Saudi) from 20% to 28% in 2020.

(ii) In December 2020, the Group decided to enter into discussions to explore the sale of its investment in Qatar Central Cooling Company PJSC to the other existing shareholders. The sale is expected to be signed and conclude in the next 12 months. Accordingly, the investment is classified as held for sale in the consolidated financial statements. Similarly, an amount of AED 32.0 million and AED 35.7 million of share of profit from investment in Qatar Central Cooling Company PJSC for year ended 31 December 2020 and 31 December 2019, respectively, was reclassified to profit from discontinuing operation in the consolidated statement of profit or loss . The investment was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification.

12 Investments in associates (continued)

The following illustrates summarised financial information of the Group's investments in associates:

	Tabreed District Cooling Company (Saudi) AED '000	Others AED '000	Total AED '000
2020			
Total current assets	**522,268**	**66,960**	**589,228**
Total non-current assets	**1,963,654**	**336,911**	**2,300,565**
Total current liabilities	**(387,660)**	**(26,835)**	**(414,495)**
Total non-current liabilities	**(1,209,338)**	**(284,525)**	**(1,493,863)**
Net assets	**888,924**	**92,511**	**981,435**
Tabreed's share of net assets	**177,785**	**32,864**	**210,649**
Impact of additional investment made during the year	**128,414**	**-**	**128,414**
	306,199	**32,864**	**339,063**

	Qatar Central Cooling Company PJSC AED '000	Tabreed District Cooling Company (Saudi) AED '000	Others AED '000	Total AED '000
2019				
Total current assets	464,919	511,105	75,920	1,051,944
Total non-current assets	1,796,870	1,948,675	348,128	4,093,673
Total current liabilities	(297,161)	(408,893)	(29,585)	(735,639)
Total non-current liabilities	(1,291,771)	(1,188,718)	(137,798)	(2,618,287)
Net assets	672,857	862,169	256,665	1,791,691
Tabreed's share of net assets	296,057	172,434	97,963	566,454

Reconciliation of carrying amounts

	Tabreed District Cooling Company (Saudi) AED '000	Others AED '000	Total AED '000
2020			
Opening net assets	**862,169**	**256,664**	**1,118,833**
Profit for the year	**42,436**	**62,260**	**104,696**
Other comprehensive loss	**(21,955)**	**(308)**	**(22,263)**
Dividends paid	**-**	**(208,460)**	**(208,460)**
Other adjustments	**6,274**	**(17,645)**	**(11,371)**
Closing net assets	**888,924**	**92,511**	**981,435**
Tabreed's share of net assets	**177,785**	**32,864**	**212,789**
Impact of additional investment made during the year	**128,414**	**-**	**128,414**
	306,199	**32,864**	**339,063**

12 Investments in associates (continued)

Reconciliation of carrying amounts (continued)

	Qatar Central Cooling Company PJSC AED 000'	Tabreed District Cooling Company (Saudi) AED 000'	Others AED 000'	Total AED 000'
2019				
Opening net assets	594,843	877,886	237,368	1,710,097
Profit for the year	81,029	72,606	55,390	209,025
Other comprehensive loss	-	(31,265)	295	(30,970)
Dividends paid	-	(50,000)	(28,813)	(78,813)
Other adjustments	(3,015)	(7,058)	(7,575)	(17,648)
Closing net assets	672,857	862,169	256,665	1,791,691
Tabreed's share of net assets	296,057	172,434	97,963	566,454

	Tabreed District Cooling Company (Saudi) AED 000'	Others AED 000'	Total AED 000'
2020			
Revenue	**257,494**	**134,156**	**391,650**
Cost of sales	**(88,067)**	**(60,276)**	**(148,343)**
Administrative and other expenses	**(57,155)**	**(3,550)**	**(60,705)**
Other Loss	**(1,936)**	**-**	**(1,936)**
Net finance cost	**(67,900)**	**(8,070)**	**(75,970)**
Profit for the year	**42,436**	**62,260**	**104,696**
Tabreed's share of results for the year	**11,882**	**23,309**	**35,191**

	Qatar Central Cooling Company PJSC AED 000'	Tabreed District Cooling Company (Saudi) AED 000'	Others AED 000'	Total AED 000'
2019				
Revenue	393,624	246,203	125,122	764,949
Cost of sales	(189,661)	(79,992)	(57,909)	(327,562)
Administrative and other Expenses	(106,850)	(41,847)	(4,706)	(153,403)
Other income	17,588	11,162	971	29,721
Net finance cost	(30,917)	(62,920)	(8,088)	(101,925)
Other charges	(2,755)	-	-	(2,755)
Profit for the year	81,029	72,606	55,390	209,025
Tabreed's share of results for the year	35,653	14,521	20,530	70,704

12 Investments in associates (continued)

Net assets of associates include the Group's share of negative fair value of derivatives of associates amounting to AED 13.6 million (2019: AED 9.0 million). Summarised financial information of the Group's investments in associates is adjusted for intercompany transactions.

Commitments and contingent liabilities in respect of the associates are disclosed in notes 29 and 30.

13 Investments in joint ventures

The Group has the following investments in joint ventures:

	Country of incorporation	Principal activities	Ownership		Carrying value	
					2020	2019
			2020	2019	AED 000'	AED 000'
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	Construction business	**51%**	51%	**18,983**	20,031
Business District Cooling Investment LLC	United Arab Emirates	Sale of chilled water	**50%**	50%	**212**	19,223
					19,195	39,254

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements as both the shareholders jointly control and have equal rights to the net assets.

The reporting date for the joint ventures is same as for Tabreed.

Movement in investments in joint ventures is as follows:

	2020	2019
	AED '000	AED '000
At 1 January	**39,254**	51,227
Share of results for the year	**16,004**	28,423
Dividends paid	**(7,750)**	(23,500)
Share of changes in fair value of effective cash flow hedges	**(23,996)**	(13,084)
Adjustments for inter group transactions	**(4,317)**	(3,812)
At 31 December	**19,195**	39,254

Share of the joint ventures' revenues and profits:

Revenues	**78,501**	97,338
Profit for the year	**16,004**	28,423

-

13 Investments in joint ventures (continued)

The following illustrates summarised financial information of the Group's investments in joint ventures:

	2020 AED '000	2019 AED '000
Revenue	**156,613**	193,751
Cost of sales	**(64,022)**	(91,514)
Administrative and other expenses	**(17,437)**	(12,048)
Other income	**18**	8,127
Net finance cost	**(43,135)**	(41,469)
Profit for the year	**32,037**	56,847
Tabreed's share of results for the year	**16,004**	28,423

	2020 AED '000	2019 AED '000
Total current assets	**101,448**	100,866
Total non-current assets	**833,142**	856,593
Total current liabilities	**(243,811)**	(205,650)
Total non-current liabilities	**(652,389)**	(673,301)
Net assets	**38,390**	78,508
Tabreed's share of net assets	**19,195**	39,254

Reconciliation of carrying amounts:

	2020 AED '000	2019 AED '000
Opening net assets	**78,508**	101,740
Profit for the year	**32,037**	56,847
Other comprehensive loss	**(47,990)**	(26,166)
Dividends paid	**(15,500)**	(47,000)
Other adjustments	**(8,666)**	(6,913)
Closing net assets	**38,389**	78,508
Tabreed's share of net assets	**19,195**	39,254

Net assets of joint ventures include the Group's share of negative fair value of derivatives of a joint venture amounting to AED 56.0 million (2019: AED 32.0 million). Summarised financial information of the Group's investments in joint ventures is adjusted for intercompany transactions.

None of the joint ventures are individually material to the Group.

Commitments and contingent liabilities in respect of the joint ventures are disclosed in notes 29 and 30.

14 Intangible assets

	Goodwill AED '000	Customer contracts AED '000	Total AED '000
2020			
At 1 January 2020	**28,527**	**-**	**28,527**
Acquisition of subsidiary (note 27)	**78,919**	**2,285,711**	**2,364,630**
Amortisation charge for the year (note 6.2)	**-**	**(33,030)**	**(33,030)**
At 31 December 2020	**107,446**	**2,252,681**	**2,360,127**

Refer to note 11 for indicators and impairment assessment of intangible assets.

	Goodwill AED '000	Customer contracts AED '000	Total AED '000
2019			
At 1 January 2019 and at 31 December 2019	28,527	-	28,527

Ian Banham & Associates

The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2023. The discount rate applied to the cash flow projections is 25% (2019: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five-year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2019: 3%). The carrying value of goodwill for Ian Banham & Associates as at 31 December 2020 is AED 28.5 million (2019: AED 28.5 million)

15 Finance lease receivables

Movement in the finance lease receivables during the year is as follows:

	2020 AED '000	2019 AED '000
At 1 January	**3,144,531**	2,869,966
Impact of implementation of IFRS 16	**-**	171,642
At 1 January (restated)	**3,144,531**	3,041,608
Finance lease income	**234,493**	208,120
Variable lease payment CPI indexation	**(33,606)**	54,049
Total Finance lease income (note 3)	**200,887**	262,169
Initial recognition of new finance lease receivables during the year (i)	**-**	163,783
Lease rentals received	**(318,491)**	(323,029)
Modification of existing finance lease (i)	**81,723**	-
At 31 December	**3,108,650**	3,144,531

Finance lease receivable is allocated in this consolidated statement of financial position as follows:

	2020 AED '000	2019 AED '000
Current assets	**315,581**	307,984
Non-current assets	**2,793,069**	2,836,547
	3,108,650	3,144,531

Future minimum lease receivables under finance leases together with the present value of net minimum lease receivables are as follows:

	2020		2019	
	Minimum lease receivables AED '000	**Present value of minimum lease AED '000**	**Minimum lease receivables AED '000**	**Present value of minimum lease AED '000**
Within one year	**328,493**	**315,581**	331,412	307,984
After one but no more than five years	**1,345,969**	**1,080,829**	1,325,652	1,089,950
More than five years	**3,755,832**	**1,712,240**	3,630,515	1,746,597
	5,430,294	**3,108,650**	5,287,579	3,144,531
Unearned finance income	**(2,321,644)**	**-**	(2,143,048)	-
	3,108,650	**3,108,650**	3,144,531	3,144,531

15 Finance lease receivables (continued)

Movement in unearned finance income is as follows:

	2020 AED '000	2019 AED '000
At 1 January	**2,143,048**	1,961,728
Impact of implementation of IFRS 16	**-**	150,653
At 1 January (restated)	**2,143,048**	2,112,381
Modification of existing finance lease (i)	**441,074**	-
Finance income recognised during the year	**(234,493)**	(208,120)
Variable lease payment CPI indexation	**(27,985)**	48,153
Relating to new finance leases (ii)	**-**	190,634
At 31 December	**2,321,644**	2,143,048

No unguaranteed residual value to the benefit of the lessor is assumed for the purpose of the above calculation.

(i) During the year, the Group signed an amended agreement with a customer updating its pricing and tenure terms. This amendment is considered a substantial modification and resulted in an extinguishment of its existing finance lease receivable of AED 1,238.6 million and recognition of a new finance lease receivable of AED 1,320.3 million. The resulting difference of AED 81.7 million is recorded as a modification gain by the Group under 'other gains and losses' in the consolidated statement of profit or loss. Consequently, this resulted in increase in unearned finance income by AED 441.1 million.

(ii) During the year ended 2019, the Group completed construction of a new district cooling plant and the related distribution network for an existing customer and new district cooling plant and related distribution network for new customers and signed a cooling agreement with the customers. Management had carried out an assessment of the arrangement to provide cooling services to the customers through the plant in accordance with the terms of the agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the plant and related distribution network as it transferred substantially all the risk and rewards incidental to the ownership of the plant to the customers.

Accordingly, the carrying amount of the plant and related distribution network was transferred out from capital work in progress and finance lease receivable was recorded at fair value at the commencement of lease, which resulted in a gain of AED 27.4 million which is recorded in consolidated statement of profit or loss in 'other gains and losses'.

The Group leases represent district cooling plants. Contracts are usually made for fixed periods of 15 years to 30 years. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

16 Right-of-use assets

Movement in right-of-use asset is summarised as follows:

	Land, plant and buildings AED'000	Distribution network	Motor vehicles AED'000	Total AED'000
2020				
Cost:				
At 1 January 2020	**238,383**	**-**	**6,033**	**244,416**
Acquisition through business combination (note 27)		**45,100**	**-**	**45,100**
Additions	**1,144**	**-**	**4,700**	**5,844**
At 31 December 2020	**239,527**	**45,100**	**10,733**	**295,360**
Depreciation:				
At 1 January 2020	**17,913**	**-**	**1,983**	**19,896**
Depreciation for the year	**17,994**	**82**	**3,666**	**21,742**
At 31 December 2020	**35,907**	**82**	**5,649**	**41,638**
Net carrying amount before accumulated impairment: At 31 December 2020	**203,620**	**45,018**	**5,084**	**253,722**
Impairment:				
At 1 January 2020 and at 31 December 2020	**88,253**	**-**	**-**	**88,253**
Net carrying amount after accumulated impairment: At 31 December 2020	**115,367**	**45,018**	**5,084**	**165,469**

16 Right-of-use assets (continued)

	Land, plant and buildings AED'000	Motor vehicles AED'000	Total AED'000
2019			
Cost:			
At 1 January 2019	-	-	-
Impact of implementation of IFRS 16	238,118	5,432	243,550
Additions	265	601	866
At 31 December 2019	238,383	6,033	244,416
Depreciation:			
At 1 January 2019	-	-	-
Depreciation for the year	17,913	1,983	19,896
At 31 December 2019	17,913	1,983	19,896
Net carrying amount before accumulated impairment:			
At 31 December 2019	220,470	4,050	224,520
Impairment:			
Impact of implementation of IFRS 16 (i)	88,253	-	88,253
Net carrying amount after accumulated impairment:			
At 31 December 2019	132,217	4,050	136,267

	2020 AED '000	2019 AED '000
Included in direct costs (note 6.1)	**12,419**	11,620
Included in administrative and other expenses (note 6.2)	**9,323**	8,276
	21,742	19,896

(i) The balance represents an amount of AED 88 million, which represents onerous provision related to one of the Group associates for the respective contracts.

17 Lease liabilities

Movement in the lease liabilities during the year is as follows:

	31 December 2020 AED '000	31 December 2019 AED '000
At 1 January 2019	**294,749**	-
Impact of implementation of IFRS 16	**-**	327,906
At 1 January (restated)	**294,749**	327,906
Addition (note 19)	**5,843**	866
Accretion(note 5)	**15,603**	17,234
Repayment	**(51,795)**	(51,257)
At 31 December 2020	**264,400**	294,749

Lease liabilities are allocated in the consolidated statement of financial position as follows:

	31 December 2020 AED '000	31 December 2019 AED '000
Current	**44,801**	47,254
Non-current	**219,599**	247,495
	264,400	294,749

18 Trade and other receivables

	2020 AED '000	2019 AED '000
Trade receivables, net	**728,055**	514,353
Amounts due from related parties (note 28)	**50,642**	18,821
Advances to suppliers and employees	**11,171**	13,214
Deposits, accruals and other receivables	**96,150**	35,000
Prepayments	**12,449**	12,036
	898,467	593,424

As at 31 December 2019, trade receivables with a nominal value of AED 48.9 million (2019: AED 61.5 million) were provided for as per the requirements of IFRS 9 expected credit loss model. Movement in the provision for impairment of trade receivables is as follows:

	2020 AED '000	2019 AED '000
At 1 January	**61,449**	48,380
Charge for the year	**5,579**	13,576
Amounts reversed / recovered	**(17,112)**	-
Amounts written off	**(1,050)**	(507)
At 31 December	**48,866**	61,449

18 Trade and other receivables (continued)

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base for majority of the customers.

As at 31 December, the ageing analysis of trade receivables and amounts due from related parties is as follows:

	Total	***Current***	***< 30 days***	***30 – 60 days***	***60 – 90 days***	***90 – 120 days***	***120 – 365 days***	***>365 days***
2020								
Gross Receivable (AED'000)	**827,563**	**235,471**	**95,490**	**152,680**	**32,147**	**93,087**	**123,853**	**94,835**
Provision %	**5.6%**	**0.1%**	**0.2%**	**1.2%**	**1.5%**	**1.6%**	**14.8%**	**27.7%**
Provision (AED'000)	**48,866**	**263**	**192**	**1,853**	**485**	**1,494**	**18,284**	**26,295**
Net receivable (AED'000)	**778,697**	**235,208**	**95,298**	**150,827**	**31,662**	**91,593**	**105,569**	**68,540**
2019								
Gross Receivable (AED'000)	594,623	295,309	42,595	113,807	13,663	18,075	48,478	62,696
Provision %	10.3%	0.2%	0.2%	1.1%	3.4%	19.9%	25.5%	68.6%
Provision (AED'000)	61,449	638	94	1,276	465	3,591	12,359	43,026
Net receivable (AED'000)	533,174	294,671	42,501	112,531	13,198	14,484	36,119	19,670

Trade receivables are non-interest bearing and are generally on 30 – 60 days terms. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. For terms and conditions relating to related party receivables, refer to note 28.

19 Cash and bank balances

Bank balances and cash included in the consolidated statement of financial position and in the consolidated statement of cash flows are as follows:

	2020 AED '000	**2019 AED '000**
Bank balances and cash	**239,031**	120,646
Bank deposits	**1,073,863**	106,256
Cash and cash equivalents as at 31 December	**1,312,894**	226,902

19 Cash and bank balances (continued)

Included in the bank balances is an amount of AED 9.7 million (2019: AED 2.6 million) placed in debt service reserve accounts in relation to bank facilities and an amount of AED 4.2 million (2019: AED 16.6 million) held as cash margin against trade related bank guarantees and letters of credit.

Bank deposits attract a fixed rate of interest ranging from 0.4% to 2.5% per annum (2019: 1.4 % to 3.1 % per annum).

Geographical concentration of cash and bank balances is as follows:

	2020 AED '000	2019 AED '000
Within UAE	**1,285,785**	196,436
Outside UAE	**27,109**	30,466
	1,312,894	226,902

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

	2020 AED '000	2019 AED '000
Cash and bank balances	**1,312,894**	226,902
Interest bearing loans and borrowings	**(2,156,407)**	(1,017,711)
Islamic financing arrangements	**(630,681)**	-
Non-convertible Bonds and Sukuk	**(3,639,348)**	(1,828,843)
Lease liabilities	**(264,400)**	(294,749)
Net debt	**(5,377,942)**	(2,914,401)

Non-cash transactions in the consolidated statement of cash flows for the year 2019:

- AED 136.3 million of right-of-use assets.
- AED 294.8 million of lease liabilities.

19 Cash and bank balances (continued)

	Cash and bank balances AED'000	Interest bearing loans and borrowings AED'000	Islamic financing arrange-ments AED'000	Non- Converti-ble Bonds and Sukuk AED'000	Lease liabilities AED'000	Total AED'000
Net debt						
Balance at 1 January 2020	**226,902**	**(1,017,711)**	**-**	**(1,828,843)**	**(294,749)**	**(2,914,401)**
Cash flows	**1,085,992**	**(1,125,431)**	**(628,709)**	**(1,808,823)**	**51,795**	**(2,425,176)**
Non-cash transaction:						
Amortisation of transaction cost (note 5)	**-**	**(13,265)**	**(1,972)**	**(1,682)**	**-**	**(16,919)**
Addition (note 17)	**-**	**-**	**-**	**-**	**(5,843)**	**(5,843)**
Accretion (note 5)	**-**	**-**	**-**	**-**	**(15,603)**	**(15,603)**
Balance at 31 December 2020	**1,312,894**	**(2,156,407)**	**(630,681)**	**(3,639,348)**	**(264,400)**	**(5,377,942)**

	Cash and bank balances AED'000	Interest bearing loans and borrowings AED'000	Islamic financing arrangem-ents AED'000	Non-Convertible Sukuk AED'000	Lease liabilities AED'000	Total AED'000
Net debt						
Balance at 1 January 2019	248,946	(1,160,191)	-	(1,828,794)	-	(2,740,039)
Impact of implementation of IFRS 16		-	-	-	(327,906)	(327,906)
Cash flows	(22,044)	145,588	-	-	51,257	174,801
Non cash transaction:						
Amortisation of transaction cost (note 5)	-	(3,108)	-	(49)	-	(3,157)
Addition (note 17)	-	-	-	-	(866)	(866)
Accretion (note 5)	-	-	-	-	(17,234)	(17,234)
Balance at 31 December 2019	226,902	(1,017,711)	-	(1,828,843)	(294,749)	(2,914,401)

20 Issued capital

	2020 AED '000	2019 AED '000
Authorised, issued and fully paid up share capital		
Shares 2,715,529,124 (2019: 2,715,529,124) ordinary shares of AED 1 each	**2,715,529**	2,715,529

21 Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the articles of association of companies registered in UAE, 10% of the profit of the parent and relevant subsidiaries for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

22 Interest bearing loans and borrowings

	Effective interest rate %	2020 AED '000	2019 AED '000
Term loan 1(i)	LIBOR + margin	**-**	714,676
Term loan 2 (ii)	5.75%	**67,558**	67,311
Term loan 3(iii)	EIBOR + margin	**157,072**	166,114
Term loan 4(iv)	EIBOR + margin	**67,021**	69,610
Term loan 5(v)	LIBOR + margin	**1,864,756**	-
		2,156,407	1,017,711

Interest bearing loans and borrowings are allocated in the consolidated statement of financial position as follows:

	2020 AED '000	2019 AED '000
Current portion	**23,477**	147,234
Non-current portion	**2,132,930**	870,477
	2,156,407	1,017,711

(i) Term loan 1

Facility of AED 918 million (US$ 250 million) from the local banks. The facility carries interest rate of LIBOR plus a margin, payable in cash on a quarterly basis. The facility was repayable in 10 fixed semi-annual instalments with a bullet payment of 30% on 1 November 2023. During the year, the Group settled this facility in full using Bond issuance proceeds (Note 25).

It was an un-secured facility, ranked pari passu with all other unsecured and unsubordinated liabilities of the Group.

The Group has a revolving facility of AED 590 million to be utilised in the form of cash withdrawals. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 December 2023. As of 31 December 2020, the Group has not utilised balance from this revolving facility. This facility is unsecured.

(ii) Term loan 2

Term loan 2 relates to a subsidiary and represents borrowing with a local commercial bank. This facility is secured against the receivables and commercial charge over property, plant and equipment (plant & machinery). The loan is repayable in quarterly instalments and maturing in 2028 and carries fixed interest of 5.75% per annum (December 2019: 5.25% per annum). During the year 2020, total repayments of AED 1.7 million were made against this facility.

(iii) Term loan 3

This facility amounting to AED 192.5 million was obtained to finance the construction of a plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 23 semi-annual instalments commencing on March 2017 with a bullet payment of AED 48.1 million in March 2028. During the year 2020, total repayments of AED 9.5 million were made against this facility.

22 Interest bearing loans and borrowings (continued)

(iv) Term loan 4

This facility amounting to AED 77.9 million was obtained to finance the acquisition of a plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 31 December 2031. During the year 2020, total repayments of AED 2.7 million were made against this facility.

(v) Term loan 5

During the year, the Group secured a new facility of AED 1,900.4 million (US$ 517.4 million) from a syndicate of banks to finance the acquisition of a subsidiary. The facility carries interest rate of LIBOR plus a margin. The interest is payable in cash on a flexible basis as agreed with the Bank at every interest reset period. The facility is repayable with a 100% bullet payment in March 2025.

It is an un-secured facility, ranks pari passu with all other unsecured and unsubordinated liabilities of the Group.

The Group has complied with all the applicable financial covenants throughout the reporting period.

Included in the interest-bearing loans and borrowings is an amount of AED 43.1 million of unamortised transaction cost.

23 Islamic financing arrangement

	Effective interest rate %	2020 AED '000	2019 AED '000
Islamic financing arrangement	LIBOR + margin	**630,681**	-

During the year ended 31 December 2020, the Group secured a new Islamic facility of AED 641.3 million (US$ 174.6 million) from a syndicate of banks to finance the acquisition of a subsidiary. The facility carries interest rate of LIBOR plus a margin. The interest is payable in cash on a flexible basis as agreed with the Bank at every interest reset period. The facility is repayable with a 100% bullet payment in March 2025.

The Group has complied with all the applicable financial covenants throughout the reporting period.

24 Non-convertible Bonds and Sukuk

Non-convertible Sukuk

2020 AED '000	2019 AED '000
1,829,987	1,828,843

In 2018, the Group issued a 7 year investment grade Islamic Bonds (Sukuk) of US$ 500 million which is listed on the London Stock Exchange. The bond carries profit rate of 5.5% payable semi-annually. The Bonds are repayable on 31 October 2025. The proceeds of the Bonds were utilised to repay the portion of previous Term Loans and full settlement of Islamic financing arrangement.

24 Non-convertible Bonds and Sukuk (continued)

Non-convertible Sukuk (continued)

The sukuk is stated net of discount and transaction costs incurred in connection with the sukuk arrangements, amounting to AED 6.5 million, which are amortised to the consolidated statement of profit or loss over the repayment period of Sukuk using effective interest rate method.

Non-convertible Bonds

	2020 AED '000	2019 AED '000
	1,809,361	-

During the year 2020, the Group issued a 7-year investment grade Bonds of US$ 500 million which is listed on the London Stock Exchange. The Bonds carry coupon rate of 2.5% payable semi-annually. The Bonds are repayable on 31 October 2027. The proceeds of the Bonds were utilised to repay the previous Term Loan 1 and to fund the future growth.

The Bonds are stated net of discount and transaction costs incurred in connection with the Bonds issuance, amounting to AED 27.1 million, which are amortised to the consolidated statement of profit or loss over the repayment period of the Bonds using effective interest rate method.

There are no covenants applied on non-convertible Bonds and Sukuk, as long as the Group maintains investment grade credit rating status.

25 Employees' end of service benefits

The Group provides for employees' end of service benefits in respect of its non-UAE employees in accordance with the employees' contracts of employment. The movement in the provision recognised in the consolidated statement of financial position is as follows:

	2020 AED '000	2019 AED '000
Balance at 1 January	**31,390**	29,255
Charge for the year (note 6.3)	**6,356**	6,877
Payments made during the year	**(1,260)**	(4,742)
Balance at 31 December	**36,486**	31,390

26 Trade and other payables

	2020 AED '000	2019 AED '000
Non-current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**5,740**	5,740
Others:		
Contract liabilities	**110,987**	89,521
	116,727	95,261
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**20,850**	35,214
Accrued expenses	**57,356**	40,778
	78,206	75,992
Others:		
Trade payables	**47,681**	96,324
Due to related parties (note 28)	**35,618**	44,057
Accrued expenses	**209,477**	213,641
Derivative financial instruments(i)	**28,339**	7,453
Contract liabilities	**88,793**	93,983
Other payables	**105,608**	88,563
	515,516	544,021
	593,722	620,013

(i) The Group has entered into interest rate swaps (IRS) for the interest-bearing loans denominated in AED and USD, which are designated as a hedging instrument (note 31). During the year ended December 2020, the fair value movement of IRS amounting to AED 17.0 million was recorded in the consolidated statement of comprehensive income (2019: AED 8.2 million).

Terms and conditions of the financial liabilities:

Trade payables and other financial liabilities are non-interest bearing and are normally settled on 60 day terms.

Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contracts.

For terms and conditions relating to related parties, refer to note 28.

Movement in contract liabilities is as follows:

	2020 AED '000	2019 AED '000
Contract liabilities	**199,780**	183,504

26 Trade and other payables (continued)

Contract liabilities represent un-satisfied performance obligation related to connection fees.

During the year ended 31 December 2020, total addition of AED 31.6 million (2019: AED 40.6 million) is made to contract liabilities. The revenue recognised during the year is AED 10.3 million (2019: AED 7.3 million).

27 Business combination

27.1 Downtown District Cooling LLC

On 5 April 2020, the Group acquired 80% of the shares of Downtown District Cooling LLC, a cooling services provider in Downtown Dubai, from a Dubai based real estate developer. This acquisition has been accounted for in accordance with IFRS 3 Business Combinations.

The initial accounting is based on the management's best estimate of the fair value of the assets and liabilities acquired by the Group and will be finalised within the next 12 months. The finalisation of the purchase price allocation may result in a change in the fair value of assets and liabilities acquired, and accordingly a corresponding change in the goodwill. The purchase consideration and the fair value of the identifiable assets and liabilities of Downtown District Cooling Company LLC at the date of acquisition are as follows:

	AED '000
Purchase consideration	
Cash paid	2,479,947
	2,479,947
Assets and liabilities	
Capital work in progress (i)	173,820
Property, plant and equipment (including land) (i)	586,265
Intangible assets: customer contracts (ii)	2,243,311
Inventories	2,364
Trade and other receivables (iii)	50,755
Cash and bank balances	27
Trade and other payables	(35,561)
Net identifiable assets acquired	**3,020,981**
Less: non-controlling interests	(619,953)
Goodwill arising on acquisition (iv)	78,919
Net assets acquired	**2,479,947**

27 Business combination (continued)

(i) Property, plant and equipment and capital work in progress are recorded at their fair value at the acquisition date. Property, plant and equipment includes AED 54 million of land.

(ii) Customer contracts are recorded at their fair value at the acquisition date. This represents the expected cash flows from Downtown District Cooling LLC's cooling service agreements discounted at the project's WACC. The valuation technique adopted was multi-period excess earning method. The customer contracts are amortised over 50 years, which represent their estimated remaining useful life.

(iii) The fair value and the gross contractual amount for trade receivables acquired was AED 50.8 million, with no loss allowance recognised on acquisition.

(iv) Goodwill represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition.

Revenue and profit contribution:
The acquired business contributed revenues of AED 258.3 million and net profit of AED 85.6 million to the Group for the period from 5 April 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been AED 311.2 million and AED 124.1 million, respectively.

27.2 Masdar City Cooling Company Limited

On 29 November 2020, the Group acquired 100% of the shares of Masdar City Cooling Company Limited, a cooling services provider in Masdar City Abu Dhabi, from an Abu Dhabi based real estate developer. This acquisition has been accounted for in accordance with IFRS 3 Business Combination.

The initial accounting is based on the management's best estimate of the fair value of the assets and liabilities acquired by the Group and will be finalised within the next 12 months. The finalisation of the purchase price allocation may result in a change in the fair value of assets and liabilities acquired, and accordingly a corresponding change in the negative goodwill. The purchase consideration and the fair value of the identifiable assets and liabilities of Masdar City Cooling Company Limited at the date of acquisition are as follows:

	AED '000
Purchase consideration	
Cash paid	99,750
	99,750
Assets and liabilities	
Property, plant and equipment	29,000
Intangible assets: customer contracts (i)	42,400
Right of use assets (ii)	45,100
Liabilities	(3,750)
Net assets acquired	**112,750**
Net identifiable assets acquired	112,750
Less: purchase consideration	(99,750)
Negative goodwill arising on acquisition	**13,000**

27 Business combination (continued)

(i) Customer contracts are recorded at their fair value at the acquisition date. This represents the expected cash flows from Masdar City Cooling Company Limited cooling service agreements discounted at the project's WACC. The valuation technique adopted was multi-period excess earning method.

(ii) Right of use assets are recorded at their fair value at the acquisition date and represent rights of use over the distribution network.

Revenue and profit contribution:

The acquired business contributed revenues of AED 0.9 million and net profit of AED 0.4 million to the Group for the period from 30 November 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been AED 23.7 million and AED 6.2 million, respectively.

28 Related party transactions and balances

Related parties represent associated companies, joint ventures, directors and key management personnel of the Group, management entities engaged by the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related party includes purchase and sale of chilled water and provision of management services .Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2020		**2019**	
	Revenue AED '000	**Direct costs AED '000**	**Revenue AED '000**	**Direct costs AED '000**
Associated companies	**11,336**	**62,128**	3,972	60,839
Joint ventures	**4,828**	**-**	4,892	-
Non-Controlling interest	**206,004**	**-**	-	-

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

	2020	
	Trade receivables AED '000	**Trade payables and advances AED '000**
Associated companies	**7,911**	**35,618**
Joint ventures	**1,666**	**-**
Non-controlling interest	**41,065**	**-**
	50,642	**35,618**

28 Related party transactions and balances (continued)

	2019	
	Trade receivables AED '000	Trade payables and advances AED '000
Associated companies	16,787	44,057
Joint ventures	2,034	-
	18,821	44,057

During the year ended 31 December 2020, the Group has a management and technical services agreement with a shareholder amounting to AED 3 million (2019: AED 3 million).

Terms and conditions of transactions with related parties

Transactions with related parties are made at agreed terms and conditions approved by management and are analysed as follows:

	Terms and conditions	2020 AED '000	2019 AED '000
Trade receivables	Interest free, unsecured, settled over agreed payment terms	**50,642**	18,821
Trade payables and advances	Interest free, unsecured, settled over normal credit period	**35,620**	44,057

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2020 AED '000	2019 AED '000
Short-term benefits	**11,836**	12,813
Employees' end of service benefits	**172**	231
	12,008	13,044
Number of key management personnel	**5**	5

29 Contingent liabilities

Bank guarantees

The banks have issued guarantees on behalf of the Group as follows:

	2020 AED '000	2019 AED '000
Performance guarantees	**96,991**	100,257
Advance payment guarantees	**633**	633
Financial guarantees	**50**	50
	97,674	100,940

The Group's share of contingencies of associates and joint ventures as of 31 December 2020 amounted to AED 20.4 million (2019: AED 10.0 million) and AED 2.1 million (2019: AED 2.0 million), respectively. The Group expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

30 Commitments

Contractual commitments

The authorised contractual commitments as at 31 December 2020, contracted but not provided for amounted to AED 174 million (2019: AED 148.0 million). The Group's share of authorised future capital expenditure of associates at 31 December 2020 amounted to AED 22 million (2019: AED 2.6 million) and the Group's share of authorised future capital expenditure for joint ventures amounted to AED 63 million (2019: AED 1.5 million).

Business combination

In December 2020, the Group signed a Share Purchase Agreement (SPA) with Aldar Properties PJSC to acquire 100% shares of Saadiyat Cooling LLC (SCL) and Saadiyat District Cooling Sole Proprietorship LLC (SDCL), for a value of AED 963 million. The transaction is subject to finalisation of incidental agreements and approval from local government body and will therefore be recorded in the future once all conditions are met.

Operating lease commitments - lessor

The Group enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements qualify to be classified as a lease and have been accounted for as an operating lease as the Group does not transfer substantially all the risks and rewards of ownership of the asset to the customer.

These non-cancellable leases have remaining term between 15 and 30 years. Majority of leases include a clause to enable upward revision of the rental charge on a periodic basis according to prevailing market conditions.

30 Commitments (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2020 AED '000	2019 AED '000
Within one year	**77,853**	70,924
After one year but not more than five years	**311,411**	283,696
More than five years	**962,548**	931,479
	1,351,812	1,286,099

31 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, Islamic financing, lease liabilities, non-convertible bonds and Sukuk, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activities. The Group has various financial assets such as finance lease receivables, trade receivables, due from related parties and cash and bank balances, which arise directly from its operations.

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance. It is, and has been throughout 2020 and 2019 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, Islamic financing arrangements, deposits, finance lease receivables, lease liabilities and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2020 and 2019.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2020 and 2019.

The following assumptions have been made in calculating the sensitivity analyses:

- The consolidated statement of financial position sensitivity relates to derivatives instruments.
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2020 and 2019 including the effect of hedge accounting.

31 Financial risk management objectives and policies (continued)

(b) Interest rate risk

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

The Group's cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2020, after taking into account the effect of interest rate swaps, approximately 97% of the Group's borrowings are at a fixed rate of interest (2019: 61%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit for one year (through the impact on term deposits and unhedged portion of loans and borrowings).

	Effect on profit AED '000
2020	
+100 basis point increase	**(1,948)**
-100 basis point decrease	**1,948**
2019	
+100 basis point increase	(8,088)
-100 basis point decrease	8,088

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the transactions and balances are in either UAE Dirham or US Dollar or currencies that are pegged to US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollar are not considered to represent significant foreign currency risk.

(d) Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables, contract assets and finance lease receivables is the carrying amount as disclosed in notes 18 and 15. The Group's three largest customers accounted for 55% of outstanding trade and related party receivable balances at 31 December 2020 (2019: 3 customers, including a related party, account for approximately 62%). Amounts due in respect of finance lease receivables are from three customers (2019: three customers).

31 Financial risk management objectives and policies (continued)

(d) Credit risk (continued)

The Group applies IFRS 9 simplified approach to measure expected credit losses which uses a expected loss allowance for all trade receivables, contract assets and finance lease receivables.

To measure the expected credit losses, trade receivables, contract assets and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and bank balances and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, maximum is equal to the carrying amount of these instruments. The Group seeks to limit its credit risk to banks by only dealing with reputable banks, and independently rated parties with a minimum of investment grade ratings are accepted.

For finance lease receivables, the Group uses simplified approach, requiring lifetime ECL recognition at all times. ECL provision is based on the Group's historical information adjusted for future expectations using macro-economic indicators. The finance lease receivables are concentrated with a few parties which are owned by Government of UAE and thus carries very low credit risk leading towards immaterial provision allowance.

(e) Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (trade receivables, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on undiscounted payments and current market interest rates.

31 Financial risk management objectives and policies (continued)

(e) *Liquidity risk* (continued)

	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 Years AED'000	>5 years AED'000	Total AED'000
Interest bearing loans and borrowings	**-**	**19,078**	**47,942**	**2,170,522**	**192,550**	**2,430,092**
Islamic financing arrangements	**-**	**3,109**	**9,493**	**676,189**	**-**	**688,791**
Non-convertible Bonds and Sukuk	**-**	**-**	**146,920**	**2,424,180**	**1,928,325**	**4,499,425**
Lease liabilities	**-**	**11,749**	**35,247**	**172,909**	**108,064**	**327,969**
Trade and retention payables, due to related parties and other financial liabilities	**-**	**138,299**	**223,249**	**5,740**	**-**	**367,288**
At 31 December 2020	**-**	**172,235**	**462,851**	**5,449,540**	**2,228,939**	**8,313,565**
Interest bearing loans and borrowings	-	15,673	165,364	780,747	236,903	1,198,687
Non-convertible Sukuk	-	-	101,021	404,085	1,937,771	2,442,877
Lease liabilities	-	12,169	36,508	174,271	150,619	373,567
Trade and retention payables, due to related parties and other financial liabilities	-	179,538	278,952	5,740	-	464,230
At 31 December 2019	-	207,380	581,845	1,364,843	2,325,293	4,479,361

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020 AED '000	**2019 AED '000**
Expiring beyond one year (bank loans)	**590,000**	590,000

(f) *Capital management*

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, in the light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, Islamic financing arrangement, non-convertible bonds and Sukuk and lease liabilities less cash and bank balances. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives.

31 Financial risk management objectives and policies (continued)

(f) *Capital management* (continued)

	2020 AED '000	2019 AED '000
Interest bearing loans and borrowings	**2,156,407**	1,017,711
Islamic financing arrangement	**630,681**	-
Non-convertible Bonds and Sukuk	**3,639,348**	1,828,843
Lease liabilities	**264,400**	294,749
	6,690,836	3,141,303
Less: cash and bank balances	**(1,312,894)**	(226,902)
Net debt	**5,377,942**	2,914,401
Equity attributable to equity holders of the parent	**5,164,881**	4,944,989
Adjustment for cumulative changes in fair values of derivatives	**94,078**	48,553
Total capital	**5,258,959**	4,993,542
Capital and net debt	**10,636,901**	7,613,194
Gearing ratio	**51%**	37%

32 Financial instruments and fair value measurement

32.1 Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	2020 AED '000	2019 AED '000
Derivative financial instruments	**28,339**	7,453
Trade and other receivables	**778,697**	533,174
Finance lease receivables	**3,108,650**	3,144,531
Cash and bank balances	**1,312,894**	226,902
Financial assets measured at amortised cost	**5,200,241**	3,904,607
Trade and other payables	**109,889**	181,335
Interest bearing loans and borrowings	**2,156,407**	1,017,711
Islamic financing arrangement	**630,681**	-
Non-convertible Bonds and Sukuk	**3,639,348**	1,828,843
Lease liabilities	**264,400**	294,749
Financial liabilities measured at amortised cost	**6,800,725**	3,322,638

For the purpose of the financial instrument's disclosure, non-financial assets and non-financial liabilities have been excluded from 'trade and other receivables' and 'trade and other payables', respectively.

32 Financial instruments and fair value measurement (continued)

32.2 Fair values of financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date except for finance lease receivables, non-convertible bonds and Sukuk and lease liabilities. Set out below is a comparison of carrying amounts and fair values of such instruments:

	Carrying Amount		Fair Value	
	2020	**2019**	**2020**	**2019**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Liabilities measured at fair value				
Interest rate swaps	**28,339**	7,453	**28,339**	7,453
Financial assets				
Finance lease receivables	**3,108,650**	3,144,531	**3,949,472**	3,582,872
Financial liabilities				
Interest bearing loans and borrowings	**2,156,407**	1,017,711	**2,191,499**	1,054,562
Islamic financing arrangement	**630,681**	-	**637,162**	-
Non-convertible bonds and Sukuk	**3,639,348**	1,828,843	**3,999,860**	2,042,849
Lease liabilities	**264,400**	294,749	**294,729**	321,280

32 Fair value measurement (continued)

32.2 Fair value hierarchy (continued)

As at 31 December 2020 and 2019, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

	2020				2019			
	31 December 2020 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	31 December 2019 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Liabilities measured at fair value								
Interest rate swaps	**28,339**	**-**	**28,339**	**-**	7,453	-	7,453	-
Assets for which fair values are disclosed								
Finance lease receivables	**3,949,472**	**-**	**-**	**3,949,472**	3,582,872	-	-	3,582,872
Liabilities for which fair values are disclosed								
Interest bearing loans and borrowings	**2,191,499**	**-**	**-**	**2,191,499**	1,054,562	-	-	1,054,562
Islamic financing arrangement	**637,162**	**-**	**-**	**637,162**	-	-	-	-
Non-convertible bonds and Sukuk	**3,999,860**	**3,999,860**	**-**	**-**	2,042,849	2,042,849	-	-
Lease liabilities	**298,214**	**-**	**-**	**298,214**	321,280	-	-	321,280
	7,126,735	**3,999,860**	**-**	**3,126,875**	3,418,691	2,042,849	-	1,375,842

During the reporting years ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

32 Fair value measurement (continued)

32.2 Fair value hierarchy (continued)

The following methods and assumptions were used to estimate the fair values for assets and liabilities measured at fair value:

The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

32.3 Hedging activities

Cash flow hedges

The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings the Group has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 2,574 billion as at 31 December 2020 (2019: AED 157.3 million).

The schedule indicating the maturity profile of the derivative related assets and liabilities as at 31 December is as follows:

	Within 1 year AED '000	1-3 years AED '000	Total AED '000
2020			
Cash inflows (assets)	**5,442**	**20,440**	**25,882**
Cash outflows (liabilities)	**(16,987)**	**(31,722)**	**(48,709)**
Net cash outflows	**(11,545)**	**(11,282)**	**(22,827)**
2019			
Cash inflows (assets)	2,949	6,045	8,994
Cash outflows (liabilities)	(5,084)	(9,324)	(14,408)
Net cash outflows	(2,135)	(3,279)	(5,414)

All derivative contracts are with counterparty banks in UAE.