Mada’in Properties Co (Mada’in) (P.J.S.C) and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

MADA'IN

Properties

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 December 2019.

INCORPORATION AND REGISTERED OFFICE

Mada'in Properties Co (Mada'in) (P.J.S.C) (the "Company") is registered in the Emirate of Dubai, United Arab Emirates, as a Private Joint Stock Company. The address of the Company's registered office is P.O. Box 212525, Dubai, United Arab Emirates.

Currently, all the subsidiaries of the Company are wholly owned by the Company and its nominees. The Company and its subsidiaries form the "Group".

PRINCIPAL ACTIVITIES

The Company is engaged in the business of buying and selling of real estate and real estate development in compliance with Islamic Shari'a principles.

RESULTS OF THE YEAR:

The loss for the year ended 31 December 2019 amounted to AED 7,922,303 (2018: loss of AED 13,444,126).

For and on behalf of the Board of Directors

Chairman

Director

08 April 2020

Dubai, United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MADA'IN PROPERTIES CO (MADA'IN) (P.J.S.C)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Mada'in Properties Co (Mada'in) (P.J.S.C) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Material uncertainty related to going concern
Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the matter regarding the Group's ability to continue as a going concern. For the year ended 31 December 2019, the Group has realised losses amounting to AED 7.9 Million (2018: loss of AED 13.4 Million), decrease in sales by AED 34.7 Million and accumulated liabilities as of that date, totaling to AED 357 Million including AED 23 Million of overdue instalments. These conditions indicate the existence of conditions that may cast a significant doubt on the Group's ability to continue as a going concern.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MADA'IN PROPERTIES CO (MADA'IN) (P.J.S.C) (continued)

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

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

- 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MADA'IN PROPERTIES CO (MADA'IN) (P.J.S.C) (continued)

Report on Other Legal and Regulatory Requirements

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

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Board of Director's report is consistent with the books of account of the Group;

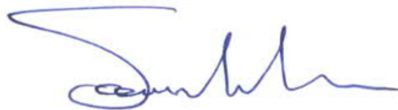
v) investments in shares and stocks during the year ended 31 December 2019, if any are disclosed in note 10 to the consolidated financial statements;

vi) note 22 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and

viii) note 6 reflects the social contributions made during the year.

For Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No.: 690

4 June 2020

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019*** ***AED***	*2018* *AED*
Revenue from sale of properties	3	**14,333,803**	49,065,299
Cost of revenue on sale of properties	3	**(11,747,899)**	(38,780,348)
GROSS PROFIT ON SALE OF PROPERTIES		**2,585,904**	10,284,951
Finance lease income	4	**820,780**	1,175,380
Other income	5	**3,332,268**	3,046,248
Realized and unrealized change in fair value of investment properties	14	**5,238,573**	(607,764)
General, administrative and selling expenses	6	**(14,403,268)**	(16,664,563)
Finance costs	16	**(5,496,560)**	(10,678,378)
LOSS FOR THE YEAR		**(7,922,303)**	(13,444,126)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(7,922,303)**	(13,444,126)

The attached notes 1 to 28 form part of these consolidated financial statements.

MADA'IN
Properties

Mada'in Properties Co (Mada'in) (P.J.S.C) and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019* *AED*	*2018* *AED*
ASSETS			
Bank balances and cash	7	**171,421**	33,875,188
Prepayments and other assets	8	**1,355,061**	1,511,139
Accounts receivable	9	**59,048,817**	69,100,548
Investment at fair value through OCI	10	**7,782,257**	7,782,257
Advances for purchase of properties	11	**35,843,134**	35,843,134
Development properties	12	**192,566,911**	190,893,817
Inventory properties	13	**155,501,061**	194,044,303
Investment properties	14	**137,870,456**	110,089,158
Property and equipment	15	**14,081,437**	15,834,559
TOTAL ASSETS		**604,220,555**	658,974,103
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals	17	**33,597,378**	49,094,564
Advances from customers	18	**1,185,768**	477,261
Obligations under Islamic financing arrangements	16	**321,554,339**	353,731,980
Employees' end of service benefits	19	**722,195**	587,120
Total liabilities		**357,059,680**	403,890,925
Equity			
Share capital	20	**223,000,000**	223,000,000
Statutory reserve	21	**16,142,787**	16,142,787
Retained earnings		**8,018,088**	15,940,391
Total equity		**247,160,875**	255,083,178
TOTAL LIABILITIES AND EQUITY		**604,220,555**	658,974,103

The consolidated financial statements were authorised for issue by the Board of Directors on 8 April 2020 and signed on their behalf by:

Chairman

Director

The attached notes 1 to 28 form part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital AED	*Statutory reserve AED*	*Retained earnings AED*	*Total AED*
Balance at 1 January 2018	223,000,000	16,142,787	29,384,517	268,527,304
Total comprehensive income for the year	-	-	(13,444,126)	(13,444,126)
Balance at 31 December 2019	223,000,000	16,142,787	15,940,391	255,083,178
Total comprehensive income for the year	-	-	(7,922,303)	(7,922,303)
Balance at 31 December 2019	**223,000,000**	**16,142,787**	**8,018,088**	**247,160,875**

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*2019* AED	*2018* AED
OPERATING ACTIVITIES			
Loss for the year		**(7,922,303)**	(13,444,126)
Adjustments for:			
Depreciation	15	**1,824,164**	1,737,135
Provision for employees' end of service benefits	19	**135,075**	247,600
Profit on sale of lease to own		**-**	(1,175,380)
Change in fair value of investment properties	14	**(5,931,104)**	(2,833,936)
Islamic financing costs		**5,496,560**	10,678,378
Unwinding of deferred income on financing components of real estate sales	5	**(100,035)**	(888,513)
		(6,497,643)	(5,678,842)
Working capital changes:			
Development properties	12	**(24,053)**	(599,800)
Inventory properties		**12,375,422**	22,974,436
Prepayments and other assets		**156,078**	28,898
Accounts receivable		**10,151,766**	9,402,253
Accounts payable and accruals		**(14,655,671)**	(5,430,790)
Advances from customers		**708,507**	(1,693,094)
Cash from operations		**2,214,406**	19,003,061
Employees' end of service paid	19	**-**	(243,110)
Legal provision cash settlement	17	**(841,515)**	(2,026,583)
Net cash from operating activities		**1,372,891**	16,733,368
INVESTING ACTIVITIES			
Purchase of property and equipment	15	**(71,042)**	(108,109)
Sale of investment properties		**4,317,626**	21,306,567
Cash from investing activities		**4,246,584**	21,198,458
FINANCING ACTIVITIES			
Obligations under Islamic financing arrangements paid		**(39,323,242)**	(85,000,000)
Cash used in financing activities		**(39,323,242)**	(85,000,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(33,703,767)**	(47,068,174)
Cash and cash equivalents at 1 January		**33,875,188**	80,943,362
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**171,421**	33,875,188

Non cash transactions:

- During the year the Group transferred some units from inventory properties to investment properties

1 CORPORATE INFORMATION

Mada'in Properties Co (Mada'in) (P.J.S.C) (the "Company") was established as a Private Joint Stock Company in the Emirate of Dubai, UAE in accordance with the UAE Federal Law No. 2 of 2015.

The principal activities of the Company are buying and selling of real estate and real estate development in compliance with Islamic Shari'a principles. The address of the Company's registered office is P. O. Box 212525, Dubai, United Arab Emirates.

These consolidated financial statements have been prepared for Mada'in Properties Co (Mada'in) (P.J.S.C) (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019. The following subsidiaries have been consolidated into these financial statements:

Subsidiaries	Country if incorporation	Activity	% of ownership 2019	% of ownership 2018
Madain One FZC	United Arab Emirates	-Property management	100%	100%
Madain Two FZC	United Arab Emirates	-Property management consultancy	100%	100%
Marina Arcade Real Estate (L.L.C)	United Arab Emirates	- Buying and selling of real estate. -Leasing and management of other people's property. -Real estate development.	100%	100%
Domain FZC	United Arab Emirates	-Investment in real estate.	100%	100%
MTF Properties (LLC)	United Arab Emirates	-Buying and selling of real estate.	100%	100%
Elite Investment FZC	United Arab Emirates	-Investment in real estate.	100%	100%

All the subsidiaries of the Company are wholly owned by the Company and its nominees. The Company's shareholding in Domain FZC is 95% and Mr. Abdulaziz Alawar is the designated nominee holding the remaining 5% on behalf of the Company. In all the rest of the subsidiaries, the Company's shareholding is 99% and a designated nominee is holding the remaining 1% on behalf of the Company. The Group has no non-controlling interests.

2. FUNDAMENTAL ACCOUNTING CONCEPT

For the year ended 31 December 2019, the Group has realised losses amounting to AED 7.9 Million (2018: loss of AED 13.4 Million), decrease in sales by AED 34.7 Million and accumulated liabilities as of that date, totalling AED 357 Million including AED 23 Million of overdue instalments. These conditions indicate the existence of conditions that may cast a significant doubt on the Group's ability to continue as a going concern.

However, the accompanying consolidated financial statements have been prepared on a going concern basis as the Board and the Management of the Group contemplate the realisation of assets for its sustenance and the satisfaction of liabilities in the normal course of business.

The Board of Directors has considered the way forward and developed plans to ensure that the Group's viability and continuity as a business. The management has been in discussions with the bank to re-structure the outstanding facility to a long-term facility for which the bank has been positively receptive and it would in line with the future cash flows of the Group. The management is confident that the future net cash flows generated from sale of the remaining units of Marina Arcade Phase 1 and the rent income from investment properties will be sufficient to honor the proposed restructured bank facilities and operations of the Group.

On the basis of such plans, the Board of Directors is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these consolidated financial statements is appropriate.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board "IASB", the Sharia'a rules and principles as determined by the Sharia'a Supervisory Board (the "Sharia'a Board") of the Company and applicable requirements of United Arab Emirates laws.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment properties and available-for-sale investments.

The consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), being the functional currency of the Company. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency of the Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. 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:

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

The Company 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 control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of comprehensive income are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company'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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
The Group has applied the following accounting policy in the preparation of its consolidated financial statements:

Revenue from sale of properties
The Group enters into contracts with customers to sell properties that are either completed or under development.

i) Completed inventory properties

The sale of completed properties constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers this generally occurs on the residential unit handover date or when all significant conditions are satisfied as per the sales purchase agreement.

ii) Development properties

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of development properties, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy.

For the sale of development properties, the Group has determined that it generally does not meet the criteria to recognise revenue over time. In these cases, control is transferred and hence revenue is recognised at a point in time. This is either property sold to one customer encompassing either all of the land and building or multi-unit property.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

iii) Other consideration related to the sale of inventory properties

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sale of properties (continued)

iii) Other consideration related to the sale of inventory properties (continued)

If the consideration in a contract for the sale of development properties includes a variable amount in the form of delay penalties and, in limited cases, early completion bonuses, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. At the end of each reporting period, an entity updates the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. For more information, please refer to Note 2.4 on the related significant accounting judgements, estimates and assumptions.

For some contracts involving the sale of properties, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, for certain contracts involving the sale of development properties, the Group may require customers to make progress payments, as work goes on, that give rise to a significant financing component. For contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects, at contract inception, that the length of time between when the customers pays for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the capitalisation of financing costs is suspended if there are prolonged periods when development activity is interrupted. However, the Group has concluded that there is no impact from this adjustment to the consolidated financial statements of both the current and prior years.

The Group has determined that contracts involving the sale of completed properties do not contain significant financing components. In addition, there is no non-cash consideration or consideration payable to customers.

Contract cost assets
The Group pays sales commission to its employees and agents for contracts that they obtain to sell certain units of property and capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. These costs are recognised at the point in time that the property is transferred.

Contract cancellation income
The Group recognises contract cancellation income when the default by the customer occurs according to the sale and purchase agreement clauses, and the customer has been properly notified as per the contractual and regulatory requirements.

Income from Islamic deposits
Income from Islamic deposits is recognised as it accrues using the effective profit rate (EPR) method. The EPR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income
The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its operating nature and the Group's principal activities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets and contract liabilities
A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liablities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Unlike the method used to recognise contract revenue related to sale of completed properties, the amounts billed to the customer for the sale of development properties are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed, the difference is recognised (as a contract asset) and presented in the statement of financial position under "Contract assets", whereas in contracts in which the goods or services transferred are lower than the amount billed to the customer, the difference is recognised (as a contract liability) and presented in the statement of financial position under "Contract liabilities".

Cost of sale of property
Cost of sale of property includes the cost of land and related development costs. Development costs include the cost of infrastructure, construction and performance obligations included in the sale and purchase agreement with the customers. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

Financing costs
Financing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they occur. Financing costs consist of profit and other costs that an entity incurs in connection with the finance facilities.

The capitalised financing costs are calculated using the Group's weighted average cost of finance facilities after adjusting for facilities associated with specific developments. Where facilities are associated with specific developments, the amount capitalised is the gross profit due on those facilities less any investment income arising on their temporary investment. Financing costs are capitalised as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of financing costs is suspended if there are prolonged periods when development activity is interrupted. Financing costs are also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

During 2019, the Group has capitalised AED 1,649,041 (2018: AED 4,750,382) of financing cost in its development properties (Note 12).

All other financing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, contract assets and bank balances that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, contract assets and bank balances that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section Revenue from sale of properties.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective profit rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes bank balances, accounts receivable and other receivables and advance from customers.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)
Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding

For debt instruments at fair value through OCI, relevant income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term Islamic deposits with an original maturity of three months or less, net of outstanding secured Islamic bank overdrafts, if any.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for expected credit losses is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

A provision for expected credit losses of trade accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired.

When a trade receivable is uncollectible, it is written off against the provision for expected credit losses. Subsequent recoveries of amounts previously written off are shown as other income in the consolidated statement of comprehensive income.

Advances for purchase of properties
Advances for purchase of properties are carried at the lower of cost and expected economic benefits to be received.

Deferred commission
Deferred third party sales commissions are capitalised as they are considered an incremental cost of obtaining the contract with customers and the Group expects to recover them, through direct recovery (i.e., reimbursement under the contract) or indirect recovery (i.e., through the margin inherent in the contract)

The Group will expense contract acquisition costs when the asset that would have resulted from capitalising such costs is amortised within one year or less.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)
Investment Securities
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

At fair value through other comprehensive income
After initial recognition, investments classified as "fair value through OCI" are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. Cumulative gains and losses on equity instruments recognized in OCI are transferred to retained earnings on disposal of an investment.

Unquoted investments are remeasured to fair value unless fair value cannot be reliably measured in which case they are carried at cost less provision for any impairment in value where necessary.

Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated statement of profit or loss for the year.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective rate or return. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment of financial assets (continued)
For accounts receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Development properties
Development properties are stated at the lower of cost and realisable value. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, unsold properties, if any are transferred at cost to inventory properties.

Inventory properties
Properties acquired or constructed with the intention of sale are classified as properties ready for sale upon acquisition or when construction is completed. Properties ready for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the property, which are capitalised as and when activities that are necessary to get the property ready for the intended use are in progress. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the property to be completed. The cost of land and cost incurred in the course of development relating to properties sold during the year, for which revenue is recognised, are transferred to cost of sales.

Management reviews the carrying values of the properties ready for sale on an annual basis.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in the use evidenced by ending of owner occupation, commencement of operating lease to another party or ending of construction or development.

Transfers are made from investment properties when and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view of sale. In such cases, the fair value of the reclassified investment property at reclassification date becomes its cost for accounting purposes, with changes in the fair values included in the consolidated statement of comprehensive income in the year in which it was reclassified.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment properties exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit and loss. The recoverable amount is the higher of investment properties' net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment properties in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment properties and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment properties no longer exist or have reduced.

Property and equipment
All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Financing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Estimated useful lives of the assets are as follows:

Furniture and fixtures	over 4 years
Office equipment	over 4 years
Motor vehicles	over 3 years
Leasehold improvement	over 5 years
Office buildings	over 25 years

Capital work in progress depreciation starts at the date when the asset is ready for use.

An item of property and equipment 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 profit or loss in the year the asset is derecognised.

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

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

Fully depreciated property and equipment are retained in the consolidated financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised immediately in profit or loss. Impairment losses on goodwill are not reversed.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, investments and bank facilities, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of investments and banking financings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables and obligation under Islamic financing arrangements.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss - The Group has not designated any financial liabilities at fair value through profit or loss.
- investments and banking financings.

Finance facilities
After initial recognition, finance facilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to trade and other payables and profit paying finance facilities.

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

Islamic financing obligations
After initial recognition, payment obligations under Murabaha, Istisna'a and Ijara are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the consolidated statement of comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease.

At the commencement of a finance lease term, the Group records a finance lease receivable in the consolidated statement of financial position at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting the constant periodic rate of return on the lessor's net investment in the finance lease.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of comprehensive income due to its non-operating nature.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation 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 the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' 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 U.A.E. national employees who are registered with the General Pension and Social Security Authority (GPSSA), the Group makes contributions to a pension fund established by the GPSSA calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the consolidated statement of comprehensive income when due.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Foreign currencies
The Group's consolidated financial statements are presented in United Arab Emirates Dirhams, which is also the Group's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group at the functional currency spot rates at the date the transaction first qualifies for recognition.

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

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit and loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations adopted by the Group
The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations adopted by the Group (continued)

IFRS 16 – Leases
The Group has adopted IFRS 16 *'Leases'* ("IFRS 16") from its mandatory adoption date of 1 January 2019 by applying the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for the 2019 financial year have not been restated.

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

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

On adoption of IFRS 16, the Group has recognised lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental finance rate as of 1 January 2019. The associated rights-of-use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

Nature of the effect of adoption of IFRS 16
The application of IFRS 16 doesn't have a material impact on the Group's consolidated financial statements.

Other amendments and interpretations
Although the below amendments and interpretations applied for the first time in 2019, they did not have a material impact on the annual consolidated financial statements of the Group.

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 11: Joint Arrangements
- Amendments to IAS 12: Income Taxes
- Amendments to IAS 23: Borrowing Costs

Standards issued but not yet effective
There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements and are not expected to have any significant impact on the Group's consolidated financial statements when they become effective, and accordingly, have not been listed in these consolidated financial statements.

2.5 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 require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 described 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 that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of accounts receivable
An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the expected default rate assessed by the management on the basis of their knowledge of the market conditions and their client portfolio quality.

At the reporting date, gross accounts receivable were AED 147,028,001 (2018: AED 157,079,732), and the expected credit losses for impairment of accounts receivable was AED 87,979,184 (2018: AED 87,979,184). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Valuation of unquoted securities
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimations. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

Development properties
The Group reviews the recoverable amount of development properties by reference to the present value of expected future cash flows and fair values of the projects plots of land. When it is probable that total development costs will exceed revenues on sale of such properties, the expected loss is recognised as an expense immediately. The estimation of revenues on unsold properties depends on valuations obtained from independent valuers. Any revision to estimated selling prices for unsold properties and/or the present value of expected future cash flows for sold properties is accounted for in the period when the changes become known.

Useful lives of property and equipment and investment properties
The Group's management determines the estimated useful lives of its property and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation/ amortisation method to ensure that the method and period of depreciation/ amortisation are consistent with the expected pattern of economic benefits from these assets.

Cost to complete the projects
The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers. The cost to complete may be reduced by claims against contractors once approved by them.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Valuation of investment properties
The Group uses a combination of the comparable method of valuation and the residual valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. The fair value of plot of land under investment properties was determined by management based on valuations performed by qualified and independent chartered surveyors and property consultants. The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and UAE Law and Regulations, and is reflective of the economic conditions prevailing as at the reporting date. If judged necessary by the management, the valuation obtained from qualified and independent chartered surveyors and property consultants can be adapted and adjusted to prevailing market conditions as assessed by the management at the date of issuance of the consolidated financial statements. The valuation of apartments and units held for rent under investment properties is based on recent sale transactions in the same project.

The fair value of these properties has been determined based on valuation models recommended by the International Valuation Standards Committee resulting in a fair value of AED 51,725,514 as at 31 December 2019. (2018: AED 55,849,498) as adjusted by management in accordance in accounting policy as mentioned above for the investment property portfolio.

The fair value of leased properties has been determined based on key assumption of average selling price of sold units, which resulting in a fair value of AED 86,144,942 as at 31 December 2019 (2018: AED 54,239,660) (Note 14)

Estimation of net realisable value for inventory properties
As at 31 December 2019, the Group holds inventory properties with a carrying value of AED 155,501,061 (2018: AED 194,044,303). Inventory properties is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory properties is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment.

NRV in respect of development properties is assessed with reference to market prices at the reporting date for similar completed properties, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Allocation of transaction price to performance obligation in contracts with customers
The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effects in the amounts recognised in the consolidated financial statements:

Operating lease commitments -Group as lessor
The Group has entered into property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all control of ownership of these properties and so accounts for the contracts as operating leases.

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

Determination of transaction prices
The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discounts or penalties. the existence of any significant financing component in the contract and an) non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the ·'most-likely amount" method in IFRS 15 *Revenue from Contracts with Customers* whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of assets between development properties, inventory properties, investment properties and property and equipment
The Group sells real estate assets in its ordinary course of business. When there is a change in the use evidenced by ending of owner occupation, commencement of operating lease to another party or ending of construction or development the development properties are transferred to property and equipment, investment properties or inventory properties. When there is a change in use evidenced by commencement of owner occupation or commencement of development with a view of sale, the assets are transferred from investment properties to property and equipment, development properties at the date of identification. Sale proceeds from assets held for sale are recognised as revenue in accordance with IFRS 15.

Consideration of significant financing component in a contract
For some contracts involving the sale of properties, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments.*

Classification of properties
Management decides at the time of acquisition of the property whether it should be classified as inventory property, held for development or investment property. The Group classifies acquired properties in investment properties when the purpose of the investment is to earn rentals or capital appreciation or both, or for an undetermined use.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional 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.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Investment properties
The Group has elected to adopt the fair value model for investment properties. Accordingly, both investment properties and investment properties under construction are carried at fair value with the gain or losses arising from changes in fair values of investment properties included in the consolidated statement of comprehensive income.

2.6 DEFINITIONS

Ijarah
Ijarah (*Ijarah Muntahia Bittamleek*) is an agreement whereby one party (lessor) after buying an asset and pursuant to its capacity as the owner leases it to the other party (lessee) for a specified rental over a specific lease period. The duration of the lease term, as well as the basis for rental payments are set and agreed in advance as per the terms of the agreement. Based on a unilateral undertaking to sell provided by the lessor, the arrangement ends by transfer of ownership of the asset to the lessee at the end of the lease period. In an Ijarah arrangement the Group may act either as a lessor or a lessee, as the case may be.

Murabaha
Murabaha is an agreement whereby one party (purchaser) purchases an asset according to the relevant specific terms and conditions from the other party (seller). Upon the execution of the sale and purchase, the seller expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the purchaser. In a Murabaha arrangement, the Group may act either as a purchase or seller, as the case may be.

Sharia'a
Sharia'a is the body of Islamic law which is derived from The Quran and The Sunna'h as main sources. The Group abides by the principles of Sharia'a across all its activities. The Sharia'a guidelines to the Group are provided by its Sharia'a Supervisory Board constituted to manage its activities.

3 REVENUE AND COST OF REVENUE FROM SALE OF PROPERTIES

	2019 AED	*2018 AED*
Revenue from the sale of completed inventory properties	**14,776,000**	31,406,318
Less: Commission fees	**(442,197)**	(2,125,943)
Net revenue recognized from contract with customers	**14,333,803**	29,280,375
Revenue from the sale of investment properties	**-**	19,784,924
Revenue on sales of properties	**14,333,803**	49,065,299

	2019 AED	*2018 AED*
Timing of revenue recognition		
Revenue recorded at a point in time	**14,333,803**	49,065,299

	2019 AED	*2018 AED*
Cost of sales of inventory properties	**11,747,899**	23,510,804
Cost of sales of investment properties	-	15,269,544
	11,747,899	38,780,348

All revenue from sale of properties was recognized within United Arab Emirates.

4 FINANCE LEASE INCOME

During the year the Group has entered into four finance leases commitments on its inventory and investment property portfolio as a lessor. The property leases typically have lease terms of between 2 and 5 years. These commitments include independent unilateral promise to buy and promise to sell. When property is let under a finance lease, the Group recognises a receivable equal to the net investment in the lease at inception of the lease. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of profit on the remaining net investment in the finance lease and is recognised within revenue.

The Group has the following profit in finance lease:

	2019 ***AED***	*2018* *AED*
Gross Investment	**6,419,330**	5,001,510
Less: Unearned finance income	**(788,306)**	(383,845)
Net investment (Note 9)	**5,631,024**	4,617,665
current portion	**(1,431,906)**	(2,329,225)
Non-current portion	**4,199,118**	2,288,440

The finance leases receivable by the group are as follow:

31 December 2019

	Minimum lease payments ***AED***	***Finance Income*** ***AED***	***Principal*** ***AED***
Less than one year	**1,526,698**	**94,792**	**1,431,906**
Between one and five years	**4,892,632**	**693,514**	**4,199,118**
	6,419,330	**788,306**	**5,631,024**

31 December 2018

	Minimum lease payments *AED*	*Finance Income* *AED*	*Principal* *AED*
Less than one year	2,483,574	154,349	2,329,225
Between one and five years	2,517,936	229,496	2,288,440
	5,001,510	383,845	4,617,665

5 OTHER INCOME

	2019 ***AED***	*2018* *AED*
Rental income	**2,559,547**	986,027
Reversal of supervision fees and suppliers' termination contracts	**389,481**	1,435,730
Unwinding of deferred income on financing components of real estate sales	**100,035**	888,513
Net contract cancellation loss	**(80,402)**	(320,809)
Others	**363,607**	56,787
	3,332,268	3,046,248

6 GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2019 *AED*	*2018* *AED*
Staff and other related costs	**4,550,215**	7,673,224
Community and service charges	**3,826,998**	2,383,341
Professional and legal fees and provision for legal claims	**2,814,190**	2,018,693
Depreciation of property and equipment (Note 15)	**1,824,164**	1,737,135
Marketing and advertising expenses	**398,510**	810,398
Rental – operating leases	**42,032**	109,803
Bank charges	**9,302**	345,156
Directors sitting fees (Note 22)	**-**	34,000
Other expenses	**937,857**	1,552,813
	14,403,268	16,664,563

No social contribution was made for the year ended 31 December 2019 and 31 December 2018.

7 BANK BALANCES AND CASH

Cash and cash equivalents in the consolidated statement of cash flows consist of the following consolidated statement of financial position items:

	2019 *AED*	*2018* *AED*
Bank balances	**146,421**	33,850,188
Islamic deposit accounts maturing within three months	**25,000**	25,000
	171,421	33,875,188

Islamic deposits are placed with certain Islamic financial institutions and generate profit based on profit rates applied and achieved by the related Islamic financial institutions.

8 PREPAYMENTS AND OTHER ASSETS

	2019 *AED*	*2018* *AED*
Prepayments	**218,734**	292,561
Security deposits	**58,683**	55,083
VAT receivables (net)	**326,989**	521,366
Other receivables	**750,655**	642,129
	1,355,061	1,511,139

9 ACCOUNTS RECEIVABLE

	2019 *AED*	*2018* *AED*
Net accounts receivable on property trading at amortised cost*	**120,885,150**	120,885,150
Less: Allowance for expected credit losses	**(87,979,184)**	(87,979,184)
	32,905,966	32,905,966
Accounts receivable from sale of Marina Arcade units	**20,511,827**	31,576,917
Accounts receivable from finance lease units (Note 4)	**5,631,024**	4,617,665
Total accounts receivable	**59,048,817**	69,100,548
Less: current portion	**(14,365,644)**	(12,999,242)
Non-current portion	**44,683,173**	56,101,306

*Accounts receivable from sale of the Palmarosa project are discounted using an effective profit rate of 4.2% (2018: 4.2%).

As at 31 December 2019, accounts receivables of AED 87,979,184 (2018: AED 87,979,184) were impaired. There is no movements in the allowance for expected credit losses.

As at 31 December, the ageing of unimpaired receivables on sales of plots, properties and other real estate receivables is as follows:

			Past due but not impaired				
	Total *AED*	*Neither past due nor impaired* *AED*	*< 30 days* *AED*	*30-60 days* *AED*	*60-90 days* *AED*	*90-120 days* *AED*	*> 120 days* *AED*
2019	**59,048,817**	**26,142,851**	**-**	**-**	**-**	**-**	**32,905,966**
2018	69,100,548	36,194,582	-	-	-	-	32,905,966

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The unimpaired receivables are secured over the sold properties or plots of land.

Management expects unimpaired receivables to be fully recoverable. As per the contractual agreements, the Group has the option to suspend any transfer of ownership and take back the asset sold to the buyer in case of default.

10 INVESTMENT AT FAIR VALUE THROUGH OCI

	2019 *AED*	*2018* *AED*
Investment at fair value through OCI	**15,564,514**	15,564,514
Less: provision for impairment	**(7,782,257)**	(7,782,257)
	7,782,257	7,782,257

Investment at fair value through OCI are carried at cost less provision for impairment as their at fair value cannot be reliably measured. Management has assessed that investment securities were impaired by 50% of their acquisition cost. The management is of the opinion that the fair value of these unquoted investments is not materially different from their carrying amounts, after impairment.

There were no transfers of securities between the Level 1 and Level 2 categories of the fair value hierarchy in the current and prior year.

11 ADVANCES FOR PURCHASE OF PROPERTIES

Advances for purchase of properties represent amounts paid by the Group as advances on the acquisition of properties in the UAE.

The plots of land and properties are under dispute with related developer and the Group expects full realisation of this advance.

12 DEVELOPMENT PROPERTIES

Movements in development properties during the year are as following:

	2019 ***AED***	*2018* *AED*
At 1 January	**190,893,817**	185,543,635
Development costs capitalised during the year	**24,053**	599,800
Shari'a compliant financing costs capitalised during the year	**1,649,041**	4,750,382
At 31 December	**192,566,911**	190,893,817

The development properties portfolio of the Group is detailed as follows:

	2019 ***AED***	*2018* *AED*
Dubai Marina Project (Marina Arcade – Phase II)	**157,098,095**	155,449,055
Dubai Silicon Oasis Project (Domain)	**35,468,816**	35,444,762
	192,566,911	190,893,817

Development properties are carried at the lower of cost and net realisable value. As per management's assessment, no future loss is expected on these projects. As at 31 May 2017, Marina Arcade project phase one was completed and all unsold units were transferred to inventory properties, investment properties and property and equipment.

During the year ended 31 December 2019, financing cost of AED 1.64 million (2018: AED 4.75 million) has been capitalised in accordance with IAS 23. The average capitalisation rate used to determine the amount of financing cost eligible for capitalisation is 4% p.a. (2018: 7% p.a).

The Group expects to fund the completion of these projects from Islamic bank financing, and proceeds from future sales.

Dubai Marina Project plot of land and Dubai Silicon Oasis plot is mortgaged as a security against the Islamic financing facilities obtained to finance the projects (Note 16).

13 INVENTORY PROPERTIES

Movements in inventory properties during the year are as following:

	2019 *AED*	*2018* *AED*
At 1 January	**194,044,303**	229,427,133
Units transferred from investment properties	**3,057,955**	-
Units sold during the year	**(11,747,899)**	(23,510,804)
Units transferred to investment properties (Note 14)	**(26,167,820)**	(12,408,394)
Units leased to own during the year	**(3,685,478)**	(3,877,691)
Units foreclosed	**-**	4,414,059
At 31 December	**155,501,061**	194,044,303

Inventory properties are carried at the lower of cost and net realisable value. As per management's assessment, no future loss is expected on these properties.

14 INVESTMENT PROPERTIES

	2019 *AED*	*2018* *AED*
At 1 January	**110,089,158**	114,978,016
Transferred form inventory properties (Note 13)	**26,167,820**	12,408,394
Sold and leased to own during the year	**(4,317,626)**	(20,131,188)
Change in fair value of investment properties	**5,931,104**	2,833,936
At 31 December	**137,870,456**	110,089,158

Realized and unrealized change in fair value of investment properties:

	2019 *AED*	*2018* *AED*
Unrealized change in fair value of investment properties	**5,931,104**	2,833,936
Realized loss of investment properties sold during the year	**(692,531)**	(3,441,700)
	5,238,573	(607,764)

Investment properties comprise:

	2019 *AED*	*2018* *AED*
Meydan-M1 - 1 plot	**38,263,225**	38,263,225
Dubai World Central plots	**15,807,427**	15,807,427
Al Kalba plots	**600,000**	600,000
Marina Arcade - phase I (leased units)	**83,199,804**	55,418,506
	137,870,456	110,089,158

14 INVESTMENT PROPERTIES (continued)

Leased properties has generated a rent income of AED 2,559,547 during 2019 (2018: AED 986,027).

At 31 December 2019, the management is of the opinion that the fair value of its investment properties for the leased units is AED 86,144,942 based on the recent market price of Marina Arcade project. In 2019, a positive change in fair value of AED 5,931,104 was included in the consolidated statement of comprehensive income in 2019 (2018: AED 2,833,936). For the other investment properties after obtaining fair value reports from external expert, the management is of the opinion that the fair value of its investment properties did not witness any material change as compared to their carrying values.

15 PROPERTY AND EQUIPMENT

	Office building AED	*Furniture and fixtures AED*	*Office equipment AED*	*Motor vehicles AED*	*Leasehold improvement AED*	*Capital work-in-progress AED*	*Total AED*
Cost:							
At 1 January 2019	12,488,997	5,311,671	1,910,115	283,436	429,180	-	20,423,399
Additions	-	68,342	2,700	-	-	-	71,042
At 31 December 2019	**12,488,997**	**5,380,013**	**1,912,815**	**283,436**	**429,180**	-	**20,494,441**
Depreciation:							
At 1 January 2019	457,132	1,872,936	1,698,344	182,859	377,569	-	4,588,840
Charge for the year	499,560	1,132,399	84,849	55,951	51,405	-	1,824,164
At 31 December 2019	**956,692**	**3,005,335**	**1,783,193**	**238,810**	**428,974**	-	**6,413,004**
Net book value:							
At 31 December 2019	**11,532,305**	**2,374,678**	**129,622**	**44,626**	**206**	-	**14,081,437**

	Office building AED	*Furniture and fixtures AED*	*Office equipment AED*	*Motor vehicles AED*	*Leasehold improvement AED*	*Capital work-in-progress AED*	*Total AED*
Cost:							
At 1 January 2018	-	1,692,234	1,824,042	283,436	4,026,581	12,488,997	20,315,290
Additions	-	107,634	86,073	-	-	-	193,707
Reclassification	12,488,997	3,511,803	-	-	(3,511,803)	(12,488,997)	-
Reversal	-	-	-	-	(85,598)	-	(85,598)
At 31 December 2018	12,488,997	5,311,671	1,910,115	283,436	429,180	-	20,423,399
Depreciation:							
At 1 January 2018	-	854,536	1,611,570	93,866	291,733	-	2,851,705
Charge for the year	457,132	1,018,400	86,774	88,993	85,836	-	1,737,135
At 31 December 2018	457,132	1,872,936	1,698,344	182,859	377,569	-	4,588,840
Net book value:							
At 31 December 2018	12,031,865	3,438,735	211,771	100,577	51,611	-	15,834,559

16 OBLIGATIONS UNDER ISLAMIC FINANCING ARRANGEMENTS

	2019 *AED*	*2018* *AED*
Dubai Marina project Islamic financing arrangement (i)	**292,519,613**	325,992,031
Silicon Oasis plot Islamic financing arrangement (iii)	**29,034,726**	27,739,949
	321,554,339	353,731,980
Less: Overdue instalments	**(23,210,490)**	-
Less: current portion	**(298,343,849)**	(62,675,244)
Non-current portion	**-**	291,056,736

The movement in the obligations under Islamic financing arrangement and financing cashflow impact is as follows:

	2019 *AED*	*2018* *AED*
At 1 January	**353,731,980**	423,303,221
Profit on the Islamic financing arrangement*	**7,145,601**	15,428,759
Facilities repaid during the year	**(39,323,242)**	(85,000,000)
At 31 December	**321,554,339**	353,731,980

* Profit on the Islamic financing arrangement breakdown is as follow:

	2019 *AED*	*2018* *AED*
Expensed during the year	**5,496,560**	10,678,378
Capitalized	**1,649,041**	4,750,381
Total	**7,145,601**	15,428,759

The Group received a facility amendment letter from the Islamic bank restructuring the facilities previously extended on the Dubai Marina project and the Silicon Oasis plot:

i. As of 16 November 2018, the Group signed facility amendment letter to restructure the outstanding facility (The Istisna facility). Proceeds from Ijarah facility will be utilized to settle the entire outstanding including past dues. The total facility limits applicable for the Dubai Marina project amounts to AED 358 million. The rent rate is 7% p.a. (reducing), payable on a quarterly basis up to 25 December 2022. The group settled an amount of AED 39 million. However, the Group is in negotiation with the bank to restructure the facility for a further period of 6 years and has the Email Confirmation from the Bank.

   The Istisna facility limit applicable for the Dubai Marina project amounts to AED 358 million (2018: AED 358 million). As of 31 December 2019, the Group has accumulated liabilities of AED 292 million (2018: AED 326 million) out of which AED 163 million (2018: AED 198 million) pertains to the principal portion, and AED 129 million (2018: AED 128 million) pertains to accrued profit on the Islamic financing arrangement. The Group is in negotiation with the bank to restructure the facility for a further period of 6 years and has the Email Confirmation from the Bank

ii. During 2017, Murabaha facility by the amount of AED 30 million was provided to the Group in order to complete the construction of Marina Arcade. As at 31 December 2018, the Group settled the full amount of Murabaha facility.

16 OBLIGATIONS UNDER ISLAMIC FINANCING ARRANGEMENTS (continued)

iii. As of 16 November 2018, the Group signed facility amendment letter to restructure the outstanding facility by means of refinance of the property located at Silicon Oasis plot (The Ijarah facility). Proceeds from Ijarah facility will be utilized to settle the entire outstanding including past dues. The total facility limits applicable for the Silicon Oasis project amounts to AED 27million. The rent rate is 7% p.a. (reducing). The facility is due in one bullet payment as of 25 December 2022. However, the Group is in negotiation with the bank to restructure the facility for a further period of 6 years and has the Email Confirmation from the Bank

iv. The Ijara facility limit applicable for the Dubai Silicon Oasis project amounts to AED 27 million (2018: AED 27 million). As of 31 December 2019, the Group has accumulated liabilities an amount of AED 29 million (2018: AED 28 million) out of which AED 16 million (2018: AED 16 million) pertains to the principal portion and AED 13 million (2018: AED 12 million) pertains to accrued profit on the Islamic financing arrangement. However, the Group is in negotiation with the bank to restructure the facility for a further period of 6 years and has the Email Confirmation from the Bank.

v. As per the facility of Marina Arcade, the Group has an over due balance of AED 23 Million to be paid. Subsequent to 31 December 2019, the Group has settled and amount of AED 2.2 Million bring the overdue amount to AED 21 Million.

In line with the amended facility agreement, the Group has the following securities in favour of Islamic Bank:

- Corporate Guarantee amounting to AED 400 Million;
- Legal mortgage over Plot No. 1147 (626- 372), Dubai Silicon Oasis, Nad Hessa, Dubai; and
- Assignment of insurance over financed property at Plot No. 1147 (626- 372) at Nad Hessa, Dubai;
- Legal mortgage over property on Plot No. 151 (392-489) at Marsa Dubai; and
- Assignment of insurance over financed property at Plot No. 151 (392-489) at Marsa, Dubai;
- All SAPs to be lodged with the bank;
- All PDCs related to the sale of apartments/ units in Marina tower to be endorsed in favour the bank;

17 ACCOUNTS PAYABLE AND ACCRUALS

	2019	*2018*
	AED	*AED*
Retentions and contract payable	**24,509,025**	41,761,775
Accounts payable	**6,116,530**	4,862,477
Deferred revenue	**1,046,811**	524,086
Accrued expenses	**902,006**	638,116
Unearned profit income	**788,306**	383,845
Security deposit	**234,700**	82,750
Provision for legal claims (see below)	**-**	841,515
	33,597,378	49,094,564

Retentions payable are current in nature.

Movements in provision for legal claims were as follows:

	2019	*2018*
	AED	*AED*
At 1 January	**841,515**	2,868,098
Released against cash settlement during the year	**(841,515)**	(2,026,583)
At 31 December	**-**	841,515

18 ADVANCES FROM CUSTOMERS

	2019	*2018*
	AED	*AED*
Payments received from customers	**1,185,768**	477,261

Advances from customers represent amounts paid by the customers for the purchase of apartments and commercial units as per sale and purchase agreements, net of adjustments recorded for revenue. The revenue recognition criteria adopted by the Group do not apply to these advances.

19 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees' end of service benefits was as follows:

	2019	*2018*
	AED	*AED*
At 1 January	**587,120**	582,630
Provided during the year	**135,075**	247,600
Paid during the year	**-**	(243,110)
At 31 December	**722,195**	587,120

20 SHARE CAPITAL

	2019	*2018*
	AED	*AED*
Authorised issued and fully paid up:		
223,000 thousand shares of AED 1 each (2018: 223,000 thousand shares of AED 1 each)	**223,000,000**	223,000,000

21 STATUTORY RESERVE

As required by the UAE Commercial Companies Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to a statutory reserve until such time that the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. No statutory reserve was allocated in 2019 (2018: AED Nil).

22 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties:

	2019 ***AED***	*2018* *AED*
Accounts receivable	**4,189,588**	4,384,963
Advances on purchase of properties	**4,986,110**	4,986,110

At 31 December 2019, accounts receivable from related parties were impaired by AED 3,766,737 (2018: AED 3,766,737).

Loan received from a related party is profit free rate and repayable on demand.

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

	2019 ***AED***	*2018* *AED*
Staff cost	**-**	1,139,627
Directors' expenses	**-**	34,000
Pension fund contribution	**-**	37,500

23 RISK MANAGEMENT

Profit rate risk
The Group's Islamic deposits and obligations under Islamic financing arrangements are exposed to this risk.

The sensitivity of the profit and loss is the effect of the assumed changes in profit rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2019 and 2018.

There is no impact on the Group's equity, other than implied effects on profits.

The following table demonstrates the sensitivity of the profit and loss of the year to reasonably possible changes in profit rates, with all other variables held constant. The sensitivity of financing costs capitalised as part of the development costs is not part of this analysis:

	Increase/ decrease in basis points	*Effect on profit for the year AED*
2019		
	+10	**(321,554)**
	-10	**321,554**
2018		
	+10	(214,096)
	-10	214,096

23 RISK MANAGEMENT (continued)

Credit risk
With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, accounts receivable and advances on purchase of properties, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its risk with regard to advances on purchase of properties and bank balances by dealing only with reputable master developers and Islamic financial institutions.

	2019 ***AED***	*2018* *AED*
Accounts receivable	**59,048,817**	69,100,548
Bank balance	**171,421**	33,875,188
Advances for purchase of properties	**35,843,134**	35,843,134
	95,063,372	138,818,870

Accounts receivable
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 9. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's receivables on sale of properties using a provision matrix:

2019	***Debtors*** ***AED***	***Expected loss allowance*** ***AED***	***Credit loss (ECL)***
Gross carrying amount	**147,028,001**	**87,979,184**	**59%**

2018	*Debtors* *AED*	*Expected loss allowance* *AED*	*Credit loss (ECL)*
Gross carrying amount	157,079,732	87,979,184	56%

Liquidity risk
The Group manages its liquidity risk by collecting advances from property buyers and ensuring that Islamic facilities are available.

23 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2019, based on contractual payment dates and current market profit rates.

Year ended 31 December 2019

	Overdue AED	***Less than 3 months AED***	***3 to 12 months AED***	***1 to 5 years AED***	***>5 years AED***	***Total AED***
Accounts payable and accruals	-	**2,871,571**	**25,858,788**	**25,000**	**2,772,201**	**31,527,560**
Obligations under Islamic financing arrangements	**23,210,490**	**15,092,088**	**44,494,463**	**245,520,084**	-	**328,317,125**
Total	**23,210,490**	**17,963,659**	**70,353,251**	**245,545,084**	**2,772,201**	**359,844,685**

Year ended 31 December 2018

	Overdue AED	*Less than 3 months AED*	*3 to 12 months AED*	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Accounts payable and accruals	-	18,382,258	2,639,133	25,231,192	1,720,534	47,973,117
Obligations under Islamic financing arrangements	-	-	62,675,244	291,056,736	-	353,731,980
Total	-	18,382,258	65,314,377	316,287,928	1,720,534	401,705,097

Currency risk
The Group is not exposed to any significant currency risk.

Equity price risk
At year end, the Group has no equity investments which are subject to equity price risk.

Economic risk
The operations, cash flows and financial condition could be negatively affected due to the following:

- If employees are quarantined as the result of exposure to COVID 19, this could result in disruption of operations, supply chain delays, trade restrictions and impact on economic activity; and
- Similarly, travel restrictions or operational issues resulting from the rapid spread of COVID 19 in a part of the world in which we have significant operations may have a material adverse effect on our business and results of operations.

24 COMMITMENTS, GUARANTEES AND CONTINGENCIES

Commitments:
As of 31 December 2019, the Group has capital commitments in respect of the purchase of properties of AED 82 million (2018: AED 82 million).

The Group has contracted commitments in relation with the development costs of Marina Arcade estimated at AED 20.5 million (2018: AED 20 million).

Guarantees:
The Group had outstanding guarantees as at 31 December 2019 amounting to AED 100 thousand (2018: AED 100 thousand).

24 COMMITMENTS, GUARANTEES AND CONTINGENCIES (continued)

Legal contingencies:
The Group is involved in legal claim proceedings with some parties with regard to the termination of a sale and purchase agreement and the payment of sales commissions on some of its development and investments. Based on the opinion from the legal counsel, the Group has a reasonable prospects of success it its claim and reasonable prospects of success in defending the counterclaim.

During the year ended 31 December 2019, no additional provision (2018: AED Nil) was made based on management estimation (Note 17).

In the opinion of the management and their legal advisers, the other claims and contingencies which have not been provided for during the year, have no foundation in substance and form, the Group has good arguments to refute substantially all of these remaining claims and no additional liability will ultimately arise to the Group.

The management and the lawyer believe that this case has fair chances of success in favour of the Group.

25 CAPITAL MANAGMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Capital comprises of share capital, statutory reserves and retained earnings, and is measured at AED 247,160,875 as at 31 December 2019 (2018: AED 255,083,178).

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of bank balances and cash, accounts receivable, and other receivables and investment securities. Financial liabilities consist of obligations under Islamic financing arrangement and accounts and other payables.

Fair values
The fair value of the financial assets and liabilities are 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. The following methods and assumptions were used to estimate the fair values:

- Bank balances and cash, accounts receivable and other assets, bank Islamic overdraft, accounts payable and accruals approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of quoted investment securities is calculated using the last quote provided by the Dubai Financial Market at the reporting date.
- Unquoted investment securities are stated at cost less impairment as no source is available for their assessment at fair value.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)
The following table provides the fair value measurement hierarchy as at 31 December:

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
2019				
Investment properties	-	-	**137,870,456**	**137,870,456**
Investment at fair value through OCI	-	-	**7,782,257**	**7,782,257**
	-	-	**145,652,713**	**145,652,713**

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
2018				
Investment properties	-	-	110,089,158	110,089,158
Investment at fair value through OCI	-	-	7,782,257	7,782,257
	-	-	117,871,415	117,871,415

27 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation adopted in the consolidated financial statements. The reclassification did not have any impact on the equity statement of the Group and the consolidated statement of financial position as of 31 December 2019.

28 EVENTS AFTER THE REPORTING YEAR

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities

The extent and duration of the impacts of this event remains uncertain and dependent on future developments that cannot be accurately predicted at this time.

At the date of the issuance of the these financial statements, management is still assessing the impact of this event on the Group's business and future plans, but believes that the same is expected to support the Group in its restructuring and refinancing efforts.