Wahat Al Zaweya Holding PJSC

Report of the Directors and consolidated financial statements for the year ended 31 December 2018

Wahat Al Zaweya Holding PJSC

Report of the directors and consolidated financial statements for the year ended 31 December 2018

Wahat Al Zaweya Holding PJSC

Report of the Directors
for the year ended 31 December 2018

The Directors submit their report together with the audited consolidated financial statements of Wahat Al Zaweya Holding PJSC (the "Company") and its subsidiaries, together (the "Group"), for the year ended 31 December 2018.

Principal activities

The principal activities of the Group are real estate enterprise investment, development, institution and management.

Results and appropriation

During the year, the Group had made a profit of AED 276,098,420 (2017: a loss of AED 36,847,752).

Directors

As at 31 December 2018, the Directors of the Group were as follows:

Mr. Abdullah Al Marar
Mr. Abdullah Brook Alhameiri
Mr. Abdulla Atatreh
Mr. Mohammad Atatreh
Mr. Abdulaziz Alongary
Mr. Musa Al Ghazzawi
Mr. Mohammad Al Anani

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and being eligible, offer themselves for reappointment.

On behalf of the Board

Name: Anas Subhi Ahmed Atatreh

Date: 11 April 2019

pwc

Independent auditor's report to the shareholders of Wahat Al Zaweya Holding PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wahat Al Zaweya Holding PJSC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Other matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2017, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 30 April 2018.

PricewaterhouseCoopers, (Abu Dhabi Branch), License no. 1001301
Al Khatem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

Independent auditor's report to the shareholders of Wahat Al Zaweya Holding PJSC (continued)

Our audit approach

Overview

Key Audit Matters	• Valuation of investment properties • Recognition of revenue and cost of revenue on long term contracts • Acquisition transaction

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

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

Key audit matters

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

pwc

Independent auditor's report to the shareholders of Wahat Al Zaweya Holding PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of investment properties In the consolidated statement of financial position the investment properties are carried at AED 2,415 million as at 31 December 2018 (31 December 2017: AED 120 million) which represents 41% of total assets (2017: 94% of total assets). The Group's policy is to fair value its investment properties. The corresponding gains or losses are recognised in the consolidated statement of comprehensive income. The valuations of the investment properties are inherently subjective due to the significance of the estimates and judgements involved. *Refer to the accounting policies note 2 to the consolidated financial statements, which explains the valuation methodology used by the Group and note 4 which explains the critical judgments and estimates.*	We performed the following audit procedures over the valuation of investment properties. We obtained the valuation reports, carried out by external valuers (the "Valuers") for the investment properties and by involving our own internal valuation specialist, we evaluated the adequacy of the valuers' work considering the appropriateness of the methodology used by them, the relevance and reasonableness of the Valuers' findings or conclusions and their consistency with other audit evidence. Our internal valuation specialists also assessed if the valuation methods and principles used were in compliance with the Royal Institute of Chartered Surveyors ('RICS') Valuation - Professional Standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. We also assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We tested the supporting data in the Group's accounting records concerning the valuation process. We carried out testing procedures, on a sample basis, to satisfy ourselves of the accuracy of the property related information supplied to the Valuers by management. We reviewed the appropriateness and adequacy of the related disclosures in note 3.3 and note 4, to the consolidated financial statements.

Independent auditor's report
to the shareholders of Wahat Al Zaweya Holding PJSC *(continued)*

Our audit approach *(continued)*

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and cost of revenue on long term contracts	
Revenue recognition on sales of development properties and the cost of sales involves significant judgement and use of estimates. The Group assesses for each of its sale agreements with customers, whether to recognize revenue over time or at a point in time based on a consideration of whether the Group has created a real estate asset with no alternative use, whether the group has an enforceable right to payment for performance completed at any time during the life of the contract and whether control is transferred to the customer (note 2.18) Revenue recognition on development property sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations, and judgements made in assessing the timing of revenue recognition. Furthermore, the cost of sales related to properties sold requires a high level of management judgement due to the specific commitments associated with each development project included in the sales and purchase agreement entered with the customer.	We reviewed a sample of contracts with customers for sale of development properties and assessed the management identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time. We assessed the satisfaction of performance obligations and, where appropriate, we corroborated it with external available evidence. To satisfy ourselves over the revenue recognition under these contracts, we assessed the Group's satisfaction to the performance obligation during the year through verifying the Sales and Purchase Agreements entered with the customers. We performed test of details on a sample basis to determine the costs incurred are recorded and capitalised. We also assessed the allocation of the cost to complete the common areas infrastructure of these projects by reviewing the Project Master Plan prepared by the management. We examined the approved Project Master Plan for significant on-going developments. We assessed the project budget accuracy and relevance and assessed the assumptions used by the Group. In addition, we evaluated the adequacy of the disclosures regarding revenue recognition of sales of properties. Note 2.18 to the consolidated financial statements includes the accounting policies followed by the Group for revenue recognition. Furthermore, we tested on a sample basis, the costs actually incurred and capitalised to the individual sold properties.

Independent auditor's report to the shareholders of Wahat Al Zaweya Holding PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Acquisition transaction During the year ended 31 December 2018, the Group completed a significant acquisition of a subsidiary, Wahat al Zaweya Investment and Real Estate Development LLC and its subsidiary for a consideration of AED 2,200 million. The Group's share of fair value of the identifiable net assets amounted to AED 2,152 million and a related acquisition reserve was recognised with a total value of AED 48 million. Management engaged external valuer to value the assets and liabilities acquired in the acquisitions, including the identification and valuation of intangible assets. Accounting for the acquisitions is an area of focus due to the significance of the acquisitions, and the involvement of critical accounting estimates and judgements in the identification and valuation of the acquired subsidiary, in particular for those amounts valued by Sum of the Parts Approach ("SoTP"), and the valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisitions, valuations based on discounted cash flow model were primarily used. Key assumptions used include market and other assumptions such as internal rates of return, expected sales period, and expected collection period. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired assets and liabilities.	We performed the following procedures to assess the key assumptions used in assessing the fair value of the assets and liabilities, which are determined based on the SoTP approach, acquired in the acquisitions: - reviewed relevant board of directors' resolution and the contract related to the acquisition; - assessed the competence, capabilities and objectivity of Group's external valuer; - obtained the valuation report and discussed with the external valuer the methodologies and key assumptions used; - involved our internal valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised; and - assessed the reasonableness of key assumptions applied in the valuation report. We found the key assumptions as stated above to be supported by the evidence obtained.

Independent auditor's report to the shareholders of Wahat Al Zaweya Holding PJSC *(continued)*

Other information

The directors are responsible for the other information. The other information comprises of the Report of the Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

pwc

Independent auditor's report
to the shareholders of Wahat Al Zaweya Holding PJSC (continued)

Report on other legal and regulatory requirements

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

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

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

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the report of the Directors is consistent with the books of account of the Group;

(v) as disclosed in note 27 to the consolidated financial statements the Group has invested in shares during the financial year ended 31 December 2018;

(vi) note 24 to the consolidated financial statements discloses 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 year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2018; and

(viii) as disclosed in note 22 to the consolidated financial statements, the Group has made social contributions during the financial year ended 31 December 2018.

PricewaterhouseCoopers
25 April 2019

برايس ووترهاوس كوبرز
ص.ب: ٤٥٢٦٣ - أبوظبي
P.O.Box: 45263 - Abu Dhabi
PricewaterhouseCoopers

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

Wahat Al Zaweya Holding PJSC

Consolidated statement of financial position

	Note	As at 31 December 2018 AED	2017 AED
ASSETS			
Property and equipment	5	17,192,271	5,146
Development properties	6	3,171,562,654	-
Investment properties under construction	7	2,415,943,363	120,741,658
Trade and other receivables	8	47,140,333	2,792,269
Financial assets at fair value through other comprehensive income	9	84,000,000	-
Cash and bank balances	10	196,594,681	4,524,609
Total assets		5,932,433,302	128,063,682
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	11	2,312,729,034	112,729,034
Legal reserve	12	7,456,112	7,456,112
Acquisition reserve	13	(48,308,606)	-
Foreign currency translation reserve	14	(19,940,606)	(18,524,999)
Fair value reserve for financial assets at fair value through other comprehensive income	15	(16,000,000)	-
Retained earnings		259,726,479	(16,492,320)
Total equity		2,495,662,413	85,167,827
LIABILITIES			
Banking loans and facilities	16	653,362,495	37,838,794
Provision for employees' end of service benefits	17	5,285,284	1,656,528
Trade and other payables	18	1,791,273,568	3,400,533
Advances from customers	19	986,849,542	-
Total liabilities		3,436,770,889	42,895,855
Total equity and liabilities		5,932,433,302	128,063,682

These consolidated financial statements were authorised for issue by the Board of Directors on 11 April 2019 and signed on its behalf by:

………………………………	………………………………………	………………………………………
Anas Subhi Ahmed Atatreh	Khaldoun (Muh'd Saleh) Ismail Dekadek	Al Motasem Bellah Moh'd Al Ahmad
Group President	Group Chief Executive Officer	Group Chief Financial Officer

Wahat Al Zaweya Holding PJSC

Consolidated statement of comprehensive income

	Note	For the year ended 31 December 2018 AED	2017 AED
Sales	20	1,149,742,715	5,846,727
Cost of sales	21	(725,570,536)	(621,566)
Gross profit		424,172,179	5,225,161
Selling, general and administrative expenses	22	(66,532,016)	(17,405,174)
Gain on fair value of investment properties	7	-	(1,350,000)
Other income		315,643	116,640
Impairment of investment in associate		-	(20,858,720)
Operating profit/(loss)		357,955,806	(34,272,093)
Finance cost	23	(82,714,119)	(3,077,121)
Interest income		856,733	501,462
Profit/(loss) for the year		276,098,420	(36,847,752)
Other comprehensive income for the year			
Items that maybe reclassified to profit and loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		(16,000,000)	-
Exchange gain on translation of foreign operations		(1,415,607)	6,286,444
Total comprehensive income for the year		258,682,813	(30,561,308)
Earnings per share for profit attributable to the ordinary equity holders of the Parent Company			
Basic earnings per share	25	0.17	(0.33)

Consolidated statement of changes in equity

	Share capital AED	Legal reserve AED	Acquisition reserve AED	Foreign currency translation reserve AED	Fair value reserve for financial assets at fair value through other comprehensive income AED	Retained earnings AED	Equity attributable to parent Shareholders AED	Non-controlling Interest AED	Total AED
Balance at 1 January 2017	112,729,034	7,456,112	-	(24,811,443)	-	20,355,432	115,729,135	-	115,729,135
Loss for the year	-	-	-	-	-	(36,847,752)	(36,847,752)	-	(36,847,752)
Other comprehensive income for the year	-	-	-	6,286,444	-	-	6,286,444	-	6,286,444
Total comprehensive income for the year	-	-	-	6,286,444	-	(36,847,752)	(30,561,308)	-	(30,561,308)
Balance at 31 December 2017	112,729,034	7,456,112	-	(18,524,999)	-	(16,492,320)	85,167,827	-	85,167,827
Balance at 1 January 2018	112,729,034	7,456,112	-	(18,524,999)	-	(16,492,320)	85,167,827	-	85,167,827
Increase in capital (note 11)	2,200,000,000	-	-	-	-	-	2,200,000,000	-	2,200,000,000
Adjustments related to the acquisition (note 27)	-	-	(48,308,606)	-	-	-	(48,308,606)	120,379	(48,188,227)
Purchase of non-controlling interest	-	-	-	-	-	120,379	120,379	(120,379)	-
Profit for the year	-	-	-	-	-	276,098,420	276,098,420	-	276,098,420
Other comprehensive income for the year	-	-	-	(1,415,607)	(16,000,000)	-	(17,415,607)	-	(17,415,607)
Total comprehensive income for the year	-	-	-	(1,415,607)	(16,000,000)	276,098,420	258,682,813	-	258,682,813
Balance at 31 December 2018	2,312,729,034	7,456,112	(48,308,606)	(19,940,606)	(16,000,000)	259,726,479	2,495,662,413	-	2,495,662,413

Wahat Al Zaweya Holding PJSC

Consolidated statement of cash flows

	Note	For the year ended 31 December 2018 AED	2017 AED
Cash flows from operating activities			
Profit/(loss) for the year		276,098,420	(36,847,752)
Adjustments for:			
Depreciation	5	2,979,383	4,734
Gain on fair value of investment properties	7	-	1,350,000
Impairment of investment in associate		-	20,858,720
Provision for employees' end of service benefits	17	1,973,773	64,638
Provision for doubtful accounts, trade receivables	8	-	8,392,753
Provision for doubtful accounts, due from a related party	24	-	5,996,809
Loss on disposal of property and equipment		92,598	-
Interest income		(856,733)	(501,462)
Finance cost	23	82,714,119	3,077,121
Operating cash flows before payment of employees' end of service benefits and changes in working capital		363,001,560	2,395,561
Payment of employees' end of service benefits	17	(663,714)	-
Changes in working capital:			
Trade and other receivables		64,629,227	(1,565,263)
Due from related parties		-	5,507,369
Development properties		130,088,325	-
Advances from customers		(856,327,548)	-
Trade and other payables		362,948,820	289,329
Net cash generated from operating activities		63,676,670	6,626,996
Cash flows from investing activities			
Purchase of property and equipment	5	(5,873,978)	(6,234)
Interest income received		856,733	501,462
Additions to financial assets at fair value through other comprehensive income	9	(100,000,000)	-
Cash received through acquisition of subsidiary	27	95,619,517	-
Net cash (used in)/generated from investing activities		(9,397,728)	495,228
Cash flows from financing activities			
Proceeds from banking loans and facilities		277,000,000	3,144,141
Repayments of banking loans and facilities		(108,341,694)	-
Margin deposits		(53,358,381)	-
Finance costs paid		(29,451,569)	(5,331,007)
Net cash generated from/(used in) financing activities		85,848,356	(2,186,866)

Consolidated statement of cash flows (continued)

	Note	For the year ended 31 December 2018 AED	2017 AED
Net increase in cash and cash equivalents		140,127,298	4,935,358
Net foreign exchange difference		(1,415,607)	(6,286,444)
Cash and cash equivalents at beginning of the year		2,669,689	4,020,775
Cash and cash equivalents at end of the year	10	141,381,380	2,669,689

Non cash transactions:

The Parent Company has issued 2,200,000,000 shares with a nominal value of AED 1 to acquire a subsidiary on 30 April 2018. The aforementioned non-cash transaction effected the Group accounts as described in details in note 27.

1 General information

Wahat Al Zaweya Holding PJSC (the "Company") is a Private Joint Stock Company registered in Abu Dhabi, United Arab Emirates. The Company was incorporated in 21 December 2008. The Company owns multiple subsidiaries, together referred to as (the "Group"). Majority shares 89% were acquired by Tabarak Commercial Investment LLC (the "Parent Company") on 15 January 2018. The Company was formally registered under the name Tasweek Real Estate Development and Marketing PJSC and have recently changed its name to Wahat Al Zaweya Holding PJSC during the current year.

Based on the shareholder's General Assembly resolution dated 30 April 2018, the Company increased it's capital by AED 2,200,000,000 through issuing 2,200,000,000 shares with a nominal value of AED 1 per share in consideration of acquiring 100% of Wahat al Zaweya Investment and Real Estate Development LLC (note 27).

The registered address of the Company is P.O. Box 53351, Abu Dhabi, United Arab Emirates.

As required by Securities and Commodities Authority (SCA) through their letter dated 9 July 2018 (Exposure to Abraaj Group Companies), we disclose that the Group does not have any exposure to Abraaj Group of companies and any of the funds that it manages.

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are developing, investing in and managing real estate properties.

The Company has the following subsidiaries.

Subsidiaries	**Principle activities**	**Beneficial ownership in 2018**	**2017**	**County of incorporation**
Wahat Al Zaweya Investment & Real Estate Development LLC	Real estate and master development	100%	-	United Arab Emirates
Waha Bay Investment and Real Estate Development LLC	Real estate and master development	100%	-	United Arab Emirates
Tasweek (Malaysia) Sdn Bhd	Real estate investment	100%	100%	Malaysia
UAE Marketing Sdn Bhd	Real estate investment	100%	100%	Malaysia
Tasweek Pahang Sdn Bdh	Real estate investment	100%	100%	Malaysia
Tasweek El Emarati*	Real estate investment	100%	100%	Morocco
Tasweek Dubai*	Real estate investment	100%	100%	United Arab Emirates
Keewsat Properties LLC*	Real estate investment	100%	100%	United Arab Emirates
Tasweek Investment Limited JAFZA*	Real estate investment	100%	100%	United Arab Emirates
Tasweek Overseas Limited JAFZA*	Real estate investment	100%	100%	United Arab Emirates
Tasweek Real Estate Investment LLC*	Real estate investment	99%	99%	United Arab Emirates

*These entities are dormant entities and have no transactions.

2 Summary of significant accounting policies

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

The consolidated financial statements have been prepared in UAE Dirhams (AED) which is the functional currency of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS as issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE. These consolidated financial statements have been prepared under the historical cost convention, except for the investment properties and financial assets at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 'Financial instruments'; and
- IFRS 15 'Revenue from contracts with customers'.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.2. Furthermore, IFRS 15, was early adopted by the Group's subsidiaries and therefore, no adjustment is necessary by Wahat Al Zaweya Investment & Real Estate Development LLC and Waha Bay Investment and Real Estate Development LLC.

(b) New standard issued but not effective for the financial year beginning 1 January 2018 and not early adopted

New standard have been published and is mandatory for the Group's accounting periods beginning after 1 January 2019, but have not been early adopted by the Group. The management is currently assessing the following standard.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standard issued but not effective for the financial year beginning 1 January 2018 and not early adopted (continued)

- IFRS 16, 'Leases' (effective from 1 January 2019)

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has immaterial non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for accounting periods beginning after 1 January 2019. The Group does not intend to adopt the standard before its effective date. However in the current year, the Group has sought guidance from this standard and applied accounting of reassessment of finance lease liabilities as per IFRS 16.

There are no other IFRS or IFRS IC interpretations that would be expected to have a material impact on the Group's financial statements.

2.2 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 'Financial Instruments' from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, the Group chose the option to reflect the impact on accumulated losses as at 1 January 2018 if any, with no restatement to the comparative figures. The impact of the adoption of IFRS 9 is immaterial to the consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policies (continued)

(a) IFRS 9 'Financial Instruments'(continued)

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Management has concluded that there are no material reclassifications of financial assets required as a result of IFRS 9 adoption.

(ii) Impairment of financial assets

The Group's trade receivables are subject to IFRS 9's new expected credit loss model.

The Group has revised its impairment methodology under IFRS 9 for trade receivables. There is no impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measure the expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the impairment calculation which are applied to the exposure at default to arrive at the expected credit losses at the reporting date.

Management base their assumptions on the Group's historical data, existing market conditions as well as forward looking estimates.

In addition to the above, specific provision is recorded for customers with specific impairment indicators on a case-by-case basis.

On that basis, IFRS 9 impact was immaterial and not adjusted as at 1 January 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

2 Summary of significant accounting policies (continued)

2.2 Change in accounting policies (continued)

(b) IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 'Revenue from contracts with customers' from 1 January 2018 which resulted in change in its accounting policies with the exception of two subsidiaries, Wahat Al Zaweya Investment & Real Estate Development LLC and Waha Bay Investment and Real Estate Development LLC who have early adopted the standard during the year ended 31 December 2015. The revenue from the aformentioned subsidiaries consists of 99.5% of the total revenue in the Group's consolidated statement of comprehensive income for the year ended 31 December 2018. No adjustments were made to the amounts recognised in the consolidated financial statements as the impact of adoption was immaterial.

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

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

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

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

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

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes 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; or

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.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation

Subsidiaries

Control is achieved when the Group:

- has power over an investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

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

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

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

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 Summary of significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the consolidated statement of comprehensive income or transferred directly to retained earnings.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the consolidated statement of comprehensive income.

2.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their estimated residual values over their expected useful lives, as follows:

	Years
Buildings	8 to10
Spare parts and tools	3 to 5
Furniture and fixtures	3 to 5
Computers and office equipment	3 to 5
Vehicles	3 to 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 Summary of significant accounting policies (continued)

2.4 Property and equipment (continued)

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

2.5 Investment properties and investment properties under construction

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties also includes properties that are being constructed or developed for future use as investment properties.

Investment properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value. Investment properties under construction are measured at fair value if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset.

If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the reporting date by independent professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Investment properties that are being redeveloped for continuing use as investment properties or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditures will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2 Summary of significant accounting policies (continued)

2.5 Investment properties and investment properties under construction (continued)

Changes in fair values are recognised in the consolidated statement of comprehensive income. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.6 Development properties

Properties acquired or properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as development properties and are measured at the lower of cost or net realisable value.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer fee, construction overheads and other related direct costs.

Cost includes the cost of land, selling transactions cost, 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 properties held for sale.

Management reviews the carrying values of the development properties on an annual basis.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are carried at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.7 Trade and other receivables

Trade receivables are amounts due from customers as a result of goods sold and services performed, in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are amounts due to payments in advance, accrued interest and deposits paid as at year end.

2.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, cash in hand, and short-term deposits with an original maturity of three months or less.

2.9 Trade and other payables

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

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

2.10 Employees' benefits

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date.

Provision made for estimated liability for the employees' benefit is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid.

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

2.11 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 will be required to settle the obligation, and the amount can be reliably estimated.

2 Summary of significant accounting policies (continued)

2.12 Banking loans and facilities

Banking loans and facilities are recognised initially at fair value, net of transaction costs incurred. Banking facilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the banking facilities using the effective interest method.

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

All other banking loans and facilities costs are recognised in profit or loss in the period in which they are incurred.

2.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when all of the following conditions are met: (a) it incurs expenditure for the asset (b) it incurs borrowing costs, and (c) it undertakes activities that are necessary to prepare the asset for its intended use. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.14 Financial instruments

Financial assets and liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a part to the contractual provision of the instruments.

(a) Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model for which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried as financial assets at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments in the following category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at financial assets at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

<u>Impairment of financial assets</u>

(i) Trade and other receivables

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(a) Financial assets (continued)

Impairment of financial assets (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- 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.

(b) Financial liabilities

Financial liabilities mainly comprise borrowings, trade and other payables and due to a related party. Financial liabilities are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. The Group's financial liabilities are classified as financial liabilities at amortized cost.

Subsequent measurement

Financial liabilities at amortized costs

After initial recognition, interest bearing loans and borrowings and amounts due to a related party are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.15 Offsetting of financial instruments

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

2.16 Value added tax

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

2.17 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in the UAE Dirhams ('AED'), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to term loan and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance cost'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2 Summary of significant accounting policies (continued)

2.17 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

2.18 Revenue recognition

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

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue recognition policies for product and services of the Group are set out below:

Sale of development properties
The Group recognises sales from the sale of development properties when the performance obligation has been transferred to the customer. This is achieved at a point in time when the ownership title is transferred to the customer.

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.

Interest revenue
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other operating income
Other operating income is recognised when earned.

2 Summary of significant accounting policies (continued)

2.19 Cost of revenue on sale of property

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure, selling transactions cost, roads, utility and power installation and any infrastructure costs as per the master development obligations. The cost of revenue in respect of residential and commercial units is based on the estimated proportion attributable to sold units of the development cost incurred to date to the estimated total development costs for each project. The cost of revenue in respect of sales of plots of land is based on the total estimated cost of the land site over the total usable land area in a particular development.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management process seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's operations expose it to foreign exchange risk arising from various currency exposures, primarily with respect to the Malaysian Ringgit and the US Dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in the financial statements. Since the UAE Dirham is pegged to the US Dollar the Group's foreign exchange risk with respect to transactions in US Dollar is insignificant.

(ii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from banking loans and facilities. Banking loans and facilities issued at variable rates expose the Group to cash flow interest rate risk. Banking loans and facilities issued at fixed rates expose the Group to fair value interest rate risk. Group's policy is to manage these risks based on management's assessment of available options.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The Group analyses its interest rate exposure on a regular basis. Various options are analysed including refinancing and renewal of existing positions. The Group accordingly calculates the impact on profit of a defined margin rate shift. The scenarios are run only for banking loans and facilities that represent the major interest-bearing positions.

At 31 December 2018, if interest rates on term loan had been 1% higher/lower with all other variable held constant, profit for the year would have been AED 6,533,625 (2017: AED 378,388) lower/higher, mainly as a result of higher/lower interest rates on bank borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on consolidated statement of financial position as financial assets at fair value through other comprehensive income. Based on the simulations performed, the impact on the total comprehensive income of a 10% increase/decrease in the fair value of financial assets at fair value through other comprehensive income is AED 8,400,000 (2017: AED nil).

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customers, taking into account financial position, past experience and other factors. Individual risk limits are based on management's assessment on a case-by-case basis. The utilisation of credit limits is regularly monitored. The Group's policy is to place cash and cash equivalents with reputable banks and financial institutions.

The Group does not have a significant concentration of credit risk. The major portion of the Group's sales occur through installements and therefore, are received in advance.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping committed credit lines available, including through related parties.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2018 and 2017, fair values of the balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year AED	More than 1 year less than 5 years AED
At 31 December 2018		
Banking facilities	139,244,489	514,118,006
Trade and other payables, excluding payable for purchase of land and other non-financial liabilities	156,189,569	-
Payable for purchase of land	-	721,504,229
	295,434,058	1,235,622,235
At 31 December 2017		
Banking facilities	2,954,780	34,884,014
Trade and other payables, excluding payable for purchase of land and other non-financial liabilities	3,400,533	-
	6,355,313	34,884,014

Excluded from financial liabilities are accrued project expenses amounting to AED 913,579,770 (2017: AED nil) and advances from customers amounting to AED 986,849,542 (2017: AED nil).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The policies are based on management's assessment of available options, in conjunction with the shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total banking facilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 AED	2017 AED
Banking facilities	653,362,495	37,838,794
Less: cash and bank balances	(196,594,681)	(4,524,609)
Net debt	456,767,814	33,314,185
Equity	2,495,662,413	85,167,827
Capital	2,952,430,227	118,482,012
Gearing ratio	15.47%	28.12%

3.3 Fair value estimation

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liability that are not based or observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The table below analyses the Group's financial asset and liabilities and investment property that are measured at fair value as at 31 December 2018 and 2017:

	Level 1 AED	Level 2 AED	Level 3 AED
At 31 December 2018			
Investment properties under construction	-	-	2,415,943,363
Financial assets at fair value through other comprehensive income	84,000,000	-	-
At 31 December 2017			
Investment properties	-	-	120,741,658

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no transfers between any levels during the year.

The carrying values of financial assets and financial liabilities of the Group approximate their fair values, as they are either short term in nature, or held at amortised cost or fair value. The nominal values less impairment provision of trade and other receivables and payables are assumed to approximate their fair values as they are recoverable/and other within 12 months.

The Group has investment properties under construction which fall under level 3 amounted to AED 2,415,943,363 (2017: AED 120,741,658) (note 7).

The fair value of other financial assets and liabilities approximated their carrying amounts.

4 Critical accounting estimates

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

The Group makes critical accounting estimates. The resulting accounting estimates will, by definition, seldom equal the related actual results. The major estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Classification of property

The Group determines whether a property is classified as investment property, development property, property and equipment:

- Investment properties and investment properties under construction comprise properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group;

- Development properties comprise properties that are held for sale in the ordinary course of business. Principally, these are a properties that the Group develops and intends to sell before or on completion of construction; and

- Property and equipment comprise properties that are held for administrative purposes or supply of services.

(b) Fair value of investment properties

Investment properties are stated at fair value as at the consolidated statement of financial position date. Gains or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer. The valuation techniques adopted comprise the Comparable method and Residual value method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period. The valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparable.

Assumptions vary based on different phases of the Project.

	%
Present value discount factor for 1 – 2 years	10
Developer's profit to Gross Development Value (GDV)	5

4 Critical accounting estimates

(c) Costs to complete for development properties

The Group estimates the cost to complete for development properties in order to determine the project completion and any future loss arising from the difference between the net realisable value and the cost to complete. These estimates include the cost of providing infrastructure activities, selling cost, potential claims by sub-contractors and the cost of meeting other contractual obligations to the customers and the regulatory authorities.

(d) Impairment of non-financial assets

The Group determines whether non-financial assets are impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating unit to which the non-financial asset is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

5 Property and equipment

	Buildings AED	Spare parts and tools AED	Furniture & Fixtures AED	Computers and Office Equipment AED	Vehicles AED	Total AED
Cost						
At 1 January 2017	-	-	442,666	225,086	-	667,752
Additions	-	-	1,215	5,019	-	6,234
At 31 December 2017	-	-	443,881	230,105	-	673,986
Additions from acquisition (note 27)	9,370,000	11,250	8,008,724	2,247,565	156,075	19,793,614
Additions	-	-	5,242,820	631,158	-	5,873,978
Disposals	-	-	(132,217)	-	-	(132,217)
At 31 December 2018	9,370,000	11,250	13,563,208	3,108,828	156,075	26,209,361
Accumulated depreciation						
At 1 January 2017	-	-	442,666	221,440	-	664,106
Charge for the year	-	-	170	4,564	-	4,734
At 31 December 2017	-	-	442,836	226,004	-	668,840
Additions from acquisition (note 27)	1,057,655	3,134	2,847,984	1,444,670	55,043	5,408,486
Charge for the year	628,945	2,517	2,008,070	304,930	34,921	2,979,383
Disposals	-	-	(39,619)	-	-	(39,619)
At 31 December 2018	1,686,600	5,651	5,259,271	1,975,604	89,964	9,017,090
Net book value						
At 31 December 2018	7,683,400	5,599	8,303,937	1,133,224	66,111	17,192,271
At 31 December 2017	-	-	1,045	4,101	-	5,146

6 Development properties

	2018 AED	2017 AED
As at 1 January 2018	-	-
Additions from acquisition (note 27)	3,310,024,891	-
Capitalized expenses	128,002,631	-
Less: sale of property	(256,675,349)	-
Reclassification to investment properties (note 7)	(9,789,519)	-
	3,171,562,654	-

Development properties were acquired through acquisition transaction of a subsidiary dated 30 April 2018 (note 27).

Development properties are mainly composed of the cost of the land, cost of construction and incurred design and earth works, commissions and infrastructure. Development properties are carried at the lower of the acquisition fair value of the land plus development costs, and the net realisable value. Net realisable value has been determined using factors based on committed sale prices for sold units and market prices for unsold units. A significant proportion of the development properties have been reserved for sale as of 31 December 2018 (note 28). In addition, the estimated amount of the future commitments in relation to cost of development of the properties is disclosed in note 28.

The Group expects to fund the completion of the master development from the instalments and advances from current buyers, future sales, bank facilities and shareholders' financial support.

A Subsidiary of the Group signed an agreement on 29 January 2017 to purchase a plot of land in Yas Island with a total purchase price of AED 998,428,753 million. As of the financial statements approval date, the land title deed is registered in the name of the land's original owner (The seller) and the beneficiary rights to use the land are fully assigned to the Subsidiary. Title deed and ownership of the land will be transferred to the Subsidiary upon completing final payment to the land's original owner.

7 Investment properties

	2018 AED	2017 AED
As at 1 January 2018	120,741,658	115,583,647
Additions from acquisition (note 27)	2,286,964,959	-
Change in fair value of investment properties	-	(1,350,000)
Foreign currency exchange difference	(1,552,773)	6,508,011
Reclassified from development properties (note 6)	9,789,519	-
	2,415,943,363	120,741,658

7 Investment properties (continued)

On 30 April 2018, the Group acquired a subsidiary which had investment properties under construction valued at AED 2,286,964,959 at the date of acquisition. These balances represent long term investment properties that are held at fair value.

During the year ended 31 December 2018, the fair value of the investment properties was based on an external independent valuer's report prepared in accordance with RICS valuation standards. The future development costs as per consultants' report and management estimations were assessed and accrued to carrying amount in order to evaluate the change in the fair value. Management estimates that this fair valuation is reliable and has adopted the valuation conclusions which showed no change in fair value of investment properties (2017: a decrease in fair value of AED 1,350,000).

8 Trade and other receivables

	2018 AED	2017 AED
Trade receivables	7,198,830	6,002,620
Less: allowance for doubtful debts	(4,500,000)	(4,500,000)
	2,698,830	1,502,620
Prepaid expenses	2,517,406	768,011
Tax receivable	998,771	-
Refundable deposits	1,165,142	381,638
Advance payment for contractor	39,215,906	-
Other receivables	4,437,031	4,032,753
Provision for doubtful debts on other receivable	(3,892,753)	(3,892,753)
	47,140,333	2,792,269

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As at 31 December 2018, trade receivables and other receivables with nominal value of AED 8,392,753 (2017: AED 8,392,753) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2018 AED	2017 AED
At 1 January	8,392,753	-
Charge for the year	-	8,392,753
At 31 December	8,392,753	8,392,753

9 Financial assets at fair value through other comprehensive income

	2018 AED	2017 AED
Balance at 1 January	-	-
Addition	100,000,000	-
Change in fair value	(16,000,000)	-
	84,000,000	-

Financial assets at fair value through other comprehensive income (FVOCI) comprise of Islamic convertible Sukuk which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

The Group's investment comprises of : (i) an investment in Islamic convertible Sukuk issued by a listed Company (Investee) for a value of AED 100,000,000 at the date of purchase by way of private placement to one of the Group's subsidiaries. The aforementioned investment is convertible to shares in 2019. The shares of the investee are quoted in the Dubai Financial Market (DFM).

During the year ended 31 December 2018, the Group did not sell any quoted investments carried at fair value through other comprehensive income.

As at 31 December 2018, the Investee's share price in DFM was AED 0.84 per share. This resulted in the Group recording a change of AED 16 million in fair value in other comprehensive income.

On 28 February 2019, the investment was converted to shares.

10 Cash and bank balances

	2018 AED	2017 AED
Cash on hand	1,253,765	18,247
Bank balances	70,127,615	2,651,442
Short-term bank deposits *(i)*	70,000,000	-
Long-term bank deposits *(ii)*	30,000,000	-
Margin deposits *(iii)*	25,213,301	1,854,920
	196,594,681	4,524,609

(i) Short-term bank deposits represent deposits with original maturities of less than 3 months with profit rates of 3.75% p.a.

(ii) Long-term bank deposits represent deposits with original maturities of more than 3 months with profit rates of 3% p.a.

(iii) Margin deposits represent non-interest bearing deposits with original maturities of more than 3 months held with local banks against banking loans and facilities.

10 Cash and bank balances (continued)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2018 AED	2017 AED
Cash and bank balances	196,594,681	4,524,609
Long-term bank deposits	(30,000,000)	-
Margin deposits	(25,213,301)	(1,854,920)
	141,381,380	2,669,689

11 Share capital

	2018 AED	2017 AED
Share capital (2,312,729,034 shares issued and outstanding (31 December 2017: 112,729,034 shares issued and outstanding)	2,312,729,034	112,729,034

Based on the shareholder's General Assembly resolution dated 30 April 2018, the Company increased it's capital by AED 2,200,000,000 through issuing 2,200,000,000 shares with a nominal value of AED 1 per share in consideration of acquiring 100% of Wahat al Zaweya Investment and Real Estate Development LLC (note 27). The ownership of the Parent Company as of 31 December 2018 was as follows:

	Percentage	**Value AED**
Tabarak Commercial Investment LLC	51%	1,177,030,595
Almutamed Labour Supply Services	12%	282,100,000
Shuaa Capital P.J.S.C	8%	182,000,000
Alssawari Real Estate Investment LLC	7%	167,408,006
Ajman Bank P.J.S.C	5%	120,000,000
Investors holding less than 5%	17%	384,190,433
	100%	2,312,729,034

12 Legal reserve

In accordance with the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the profit for each year is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid-up share capital of the Company. The transfer is made on an entity level and not based on the Group's income for the year. Accordingly, no additional transfers have been made during the year as the Company, on a standalone level, incurred a loss during the year.

13 Acquisition reserve

The acquisition reserve resulted from an acquisition transaction that occurred on 30 April 2018 as disclosed in note 27.

14 Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

15 Fair value reserve for financial assets at fair value through other comprehensive income

The Group has elected to recognise changes in the fair value of certain investments in Islamic convertible Sukuk in other comprehensive income, as explained in note 9. These changes are accumulated within the FVOCI reserve within equity. The Group recycles the amounts from this reserve to the consolidated comprehensive income when the relevant Islamic convertible Sukuk are derecognised.

16 Banking loans and facilities

	2018 AED	2017 AED
Term Loan 1	52,380,944	-
Term Loan 2	115,384,615	-
Term Loan 3	150,000,000	-
Term Loan 4	102,760,000	-
Term Loan 5	70,895,630	-
Term Loan 6	100,000,000	-
Term Loan 7	27,000,000	-
Ijara facility	23,123,535	24,123,535
Murabaha facilities	11,817,771	13,715,259
	653,362,495	37,838,794

The Group currently has borrowing arrangements with seven commercial banks that comprise of:

Term loan 1: represents a loan amounting to AED 110 million which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2016 at a rate of 5.75% per annum and is repayable though 63 monthly instalments with final instalment of AED 1,746,032 on 22 May 2021.

Term loan 2: represents a loan amounting to AED 150 million which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2016 at a rate of 5.75% per annum and is repayable through 78 monthly instalments with final instalment of AED 1,923,077 on 5 December 2023.

16 Banking loans and facilities (continued)

Term loan 3: represents a loan amounting to AED 150 million which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2018 at a rate of EIBOR plus 3.25% per annum and is repayable through 72 monthly instalments with first instalment being on 30 June 2019 and amounting to AED 500,000. The instalment amount increases to AED 2,083,333 starting from 31 January 2020. Final instalment is scheduled on 31 May 2025.

Term loan 4: represents a loan amounting to AED 146 million (USD 40 million) which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2017 and is repayable in monthly instalments ending May 2021. The loan carries interest based on the 12 months LIBOR + 5% per annum.

Term loan 5: this loan represents an Ijara financing loan which amounted to AED 73.8 million as at 31 December 2018 was transferred to a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") through agreement with a shareholder dated 30 April 2018 and repayable on monthly instalments with a maturity date of 31 October 2021. The loan carries interest at 6% per annum (note 24).

Term loan 6: represents a loan amounting to AED 100 million which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2018 at a rate of EIBOR plus 3.25% per annum and is repayable through 72 monthly instalments with first instalment being on 30 September 2019 and amounting to AED 250,000. The instalment amount changes as per the instalment schedule and reachest a maximum of AED 1,768,519 on final instalment which is scheduled on 31 August 2025.

Term loan 7: represents a loan amounting to AED 27 million which was obtained by a subsidiary ("Wahat al Zaweya Investment and Real Estate Development LLC") during the year ended 31 December 2018 at a rate of 4% per annum and is fully repayable on 19 May 2019.

Securities

The above term loans are secured by one or more of the following:

a) Post-dated cheques (PDC) totalling AED 835 million covering 200% of the outstanding facility drawn on a UAE based bank;
b) Submission of original title deed and site affection Plan of Property;
c) Promissory note of AED 443 million covering 110% of the facilities amount in favour of the bank; and
d) Outstanding balance of USD 28 million as at 31 December 2018 is secured by promissory notes issued in favor of the bank amounting to USD 160 million;

16 Banking loans and facilities (continued)

Ijarah facility

During 2014, the Group entered into an Ijarah facility with a local Islamic bank in the United Arab Emirates to settle previous Ijara financing arrangement with other local bank. The new Ijara financing arrangement amounted to AED 25,000,000. During the year ended 31 December 2017, the Group extended the facility limit by AED 4 million based on the outstanding balance. The Ijara amount is repayable in 32 quarterly rental instalments commencing 31 August 2017. The profit rate is 3.5% plus 3 months EIBOR.

The above Ijara financing arrangement is secured by mortgage amounted over the investment properties in accordance with the facility agreement with an amount of AED 52 million.

Murabahah facilities

The Murabaha facilities consist of four different loans with two Malaysian banks and carry margins ranging from BLR* +0.25% to 10% per annum. These facilities are payable in monthly instalments and have maturities of eight to ten years. These facilities are secured by mortgage over the investment properties with an amount of AED 8.58 million and deeds of Assignment and Powers of Attorney over 26 units of condominiums in accordance with the facility agreements.

* Base lending rate in Malaysia (BLR).

17 Provision for employees' end of service benefits

	2018 AED	2017 AED
At 1 January	1,656,528	1,591,890
Added through acquisition	2,318,697	-
Charge for the year	1,973,773	64,638
Payments	(663,714)	-
At 31 December	5,285,284	1,656,528

18 Trade and other payables

Trade payables	65,224,814	2,329,773
Payable for purchase of land *(a)*	721,504,229	-
Accrued project expenses *(b)*	913,579,770	-
Accrued finance cost	3,001,806	121,025
Payables to contractors	76,827,096	-
Accrued project expense	2,000,000	-
Retention payable	5,565,134	-
Rent received from customers in advance	904,889	949,735
Other accruals and payables	2,665,830	-
	1,791,273,568	3,400,533

18 Trade and other payables (continued)

(a) Payable for purchase of land amounting to AED 721,504,229 is non-current in nature, and represents a payable that has been contracted by the Group's subsidiary, by virtue of a sale and purchase agreement for the purchase of a land in Yas Island, UAE. The total undiscounted consideration paid or payable at the date of inception amounts to AED 998,428,753 which is being measured at amortised cost. No payments were made in the year ended 31 December 2018. The payable for purchase of land is carried at amortised cost with an effective interest rate of 12.71% per annum calculated at a WACC of 11.6%.

(b) Accrued project expenses represent mainly obligations on the Group to develop infrastructure for one of its projects. The amount is accrued by the Group based on the approved cost budget for the Project as a whole. Around 60% of this accrued expense is for expenses that are not yet incurred but the Group is expected to incur the cost as part of the infrastructure and other development costs. Around 40% of these accrued expenses represent costs actually incurred but not yet invoiced. The Group records cost of sales of development properties based on the actual cost of the property in addition to expected cost to be incurred for this property as per the project master plan and they increase the accrued project expenses.

19 Advances from customers

Advances from customers of AED 986,849,542 (2017: AED nil) represent advances received on sale of plots of land and villas reserved by customers. Those will be recognised as revenue when the recognition criterion for the sale of land is met as per the requirements of IFRS 15.

20 Sales

	2018 AED	2017 AED
Sales of development properties	1,144,484,343	-
Rental income	5,258,372	5,846,727
	1,149,742,715	5,846,727

21 Cost of sales

The Group records cost of sale of development properties when the properties ownership has been transferred and performance obligation is transferred to the customer. The cost of sales includes both actual and expected costs based on the project master plan.

22 Selling, general, and administrative expenses

	2018 AED	2017 AED
Selling, commissions and other marketing expenses	30,568,763	-
Staff costs	21,936,289	1,311,808
Depreciation expense	2,979,383	4,734
Rental - operating leases	1,968,924	174,727
Bank charges	1,130,121	-
Social contribution	352,522	-
Taxation	11,158	11,044
Provision for doubtful debts (note 8)	-	8,392,753
Provision for doubtful debts from related parties (note 24)	-	5,996,809
Other expenses	7,584,856	1,513,299
	66,532,016	17,405,174

23 Finance costs

	2018 AED	2017 AED
Interest on banking loans and facilities	32,453,375	3,077,121
Discount unwinding of payable for purchase of land	50,260,744	-
	82,714,119	3,077,121

24 Related party balances and transactions

Related parties include shareholders, directors, members of their families, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

As at 31 December 2018, there were no balances with related parties included in the consolidated statement of financial position are as follows:

	2018 AED	2017 AED
Due from related parties		
Nord Sud D'invetissement (NSI)	5,996,809	5,996,809
Less: provision for doubtful accounts	(5,996,809)	(5,996,809)
	-	-

24 Related party balances and transactions (continued)

As at 31 December 2018, balances due from related parties at nominal value of AED 5,996,809 (2017: AED 5,996,809) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2018 AED	2017 AED
At 1 January	5,996,809	-
Charge for the year	-	5,996,809
At 31 December	5,996,809	5,996,809

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business, carried out on terms and conditions, agreed between the parties.

Related party transactions

An Ijara financing loan amounting to AED 73.8 million was transferred to a subsidiary through an agreement with a shareholder dated 30 April 2018 (note 16).

Key management compensation

The remuneration of members of key management is as follows:

	2018 AED	2017 AED
Short term benefits	4,706,800	540,000
Post-employment benefits	1,262,377	31,500
	5,969,177	571,500

25 Basic earnings per share

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

Diluted earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the income and share data used in the earnings per share computations:

	2018	2017
Profit/(loss) for the year attributable to the ordinary equity holders of the Group (AED)	276,098,420	(36,847,752)
Weighted average number of ordinary shares in issue (i)	1,579,395,701	112,729,034
Basic and diluted earnings per share	0.17	(0.33)

25 Basic earnings per share (continued)

(i) Weighted average number of shares used as the denominator

	2018	2017
Number of ordinary shares issued and outstanding at the beginning of the year	112,729,034	112,729,034
Shares issued at 30 April 2018	2,200,000,000	-
Number of ordinary shares issued and outstanding at the end of the year	2,312,729,034	112,729,034
Weighted average number of ordinary shares in issue	1,579,395,701	112,729,034

26 Segment reporting

Following the management approach with regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is mainly engaged in a single segment of investing in real estate. No significant income of a seasonal nature was recorded in the consolidated statements of comprehensive income for the year ended 31 December 2018 and 2017.

27 Acquisition note

a) Summary of acquisition

On 30 April 2018, Wahat Al Zaweya Holding PJSC (the "Acquirer") acquired 100% of the issued share capital of Wahat al Zaweya Investment and Real Estate Development LLC and its subsidiary (the "acquiree"), a real estate enterprise investment Company.

The acquirer had assigned an independent assessor to evaluate the fair value of the acquiree at the acquisition date. The assessor valued the acquiree net assets at AED 2,151,691,394 as of 30 April 2018.

The acquirer issued 2,200,000,000 shares with a nominal value of AED 1 per share to the former shareholders of the acquiree in exchange of acquiree net assets of AED 2,151,691,394 as of 30 April 2018. The difference between fair value of acquiree net assets ("net consideration") and the share capital issued is recognized as acquisition reserve in the acquirer's equity.

Details of the purchase consideration, the net assets acquired and acquisition reserve are as follows:

Purchase consideration:	AED
Cash paid	-
Ordinary shares issued	2,200,000,000
Acquisition reserve	(48,308,606)
Net consideration	2,151,691,394

27 Acquisition note (continued)

a) Summary of acquisition (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value AED
Property and equipment	14,385,128
Development properties	3,310,024,891
Investment properties under construction	2,286,964,959
Trade and other receivables	108,977,291
Cash and bank balances	95,619,517
Non-Controlling Interest	(120,379)
Banking facilities	(447,002,561)
Provision for employees' end of service benefits	(2,318,697)
Trade and other payables	(1,371,661,665)
Advances from customers	(1,843,177,090)
Net assets acquired	2,151,691,394

i) Acquired assets and liabilities

The assets and liabilities acquired were recorded at fair value, as per the valuation performed by the independent valuer. All assets and liabilities had fair values equal to their book values except for the below two asset classes:

Development properties

Development properties acquired through this transaction had a book value of AED 1,376,652,990 as at 30 April 2018 and a fair value of AED 3,310,024,891 as per the aforementioned valuation report performed by the independent assessor (note 6).

Investment properties under construction

Investment properties under construction acquired through this transaction had a book value of AED 2,186,838,754 as at 30 April 2018 and a fair value of AED 2,286,964,959 as per the aforementioned valuation report performed by the independent assessor (note 7).

ii) Revenue and profit contribution

The acquired business contributed revenues of AED 1,144,484,343 and net profit of AED 407,804,932 to the Group for the period from 30 April 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and profit for the year ended 31 December 2018 would have been AED 1,236,798,599 and AED 818,582,705 respectively. These amounts have been calculated using the subsidiary's results.

27 Acquisition note (continued)

b) Purchase consideration – cash outflow

	2018 AED	2017 AED
Outflow of cash to acquire subsidiary, net of cash acquired	-	-
Less: cash balances acquired	95,619,517	-
Net inflow of cash – investing activities	95,619,517	-

c) Acquisition of non-controlling interest

During the year ended 31 December 2018, the Group acquired the non-controlling interest of Waha Bay Investment and Real Estate Development LLC.

28 Contingencies and commitments

A) Capital expenditure commitments

Estimated capital expenditures contracted for at the reporting date but not provided for:

	2018 AED	2017 AED
Signed contracts on development properties	2,161,928,317	2,598,113,823

B) Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases for the investment properties' land are as follows:

	2018 AED	2017 AED
More than one year and no less than five years	6,383,376	-
Less than one year	1,999,752	-
	8,383,128	-

C) Sales commitments

	2018 AED	2017 AED
Total sales committed to customers	4,794,394,778	-

Sales commitments represent sales agreements signed with customers, to which the properties have not yet been handed over to the customer and sales have not yet been recognised.

28 Contingencies and commitments (continued)

D) Bank contingencies

	2018 AED	2017 AED
Letters of guarantee	-	3,911,400

E) Other contingencies

During 2013, the Group entered into a zero-coupon interest rate swap (IRS) with a third party starting on 11 December 2013 and maturing on 11 December 2019. As per the terms of the IRS, the Group will pay a fixed rate of 2.15% and receive a floating rate of 3M USD Libor calculated on a notional amount of USD 100,000,000 (AED 367,300,000). The interest accrues on a quarterly basis and the settlement will occur at maturity of the agreement on 20 December 2019.

The Group is currently in a dispute with the third party regarding the legal validity of the IRS contract and the manner in which the contract was entered into. The Group has raised this matter with the appropriate UAE regulatory authorities and has sought legal advice accordingly. On the basis of this legal advice, the Group has chosen not to recognise this derivative transaction and disclose it as a contingent liability.

As at 31 December 2018, the fair value of this derivative transaction, as reported by the counterparty, was approximately AED 21 million (2017: AED 19 million). The Group and its legal advisor believes that the Group is in a strong position and there will be no future liability from it.

29 Financial instruments by category

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	2018 AED	2017 AED
Financial assets at amortised cost:		
Trade and other receivables	4,241,879	1,642,620
Cash and bank balances	196,594,681	4,524,609
	200,836,560	6,167,229
Financial assets at fair value through other comprehensive income:		
Quoted investments in Sukuk	84,000,000	-
Financial liabilities at amortised cost:		
Banking loans and facilities	653,362,495	37,838,794
Trade and other payables, excluding payable for purchase of land and other non-financial liabilities	156,189,569	3,400,533
Payable for purchase of land	721,504,229	-
	1,531,056,293	41,239,327

Excluded from financial assets at amortised cost are prepayments and advances amounting to AED 42,898,454 (2017: AED 1,149,649).

Excluded from financial liabilities at amortised cost are accrued project expenses amounting to AED 913,579,770 (2017: AED nil) and advances from customers amounting to AED 986,849,542 (2017: AED nil).

30 Reclassifications

The management has reassessed and changed the classification of certain accounts. Accordingly the comparative financial information has been presented in a consistent manner. There is no impact on the comprehensive income or total equity for the comparative year as a result of the reclassification.

31 Reconciliation of liabilities arising from financing activities

	2018 AED	2017 AED
Cash and cash equivalents	141,381,380	2,669,689
Margin deposits – term deposits	25,213,301	1,854,920
Long-term bank deposits – term deposits	30,000,000	-
Banking loans and facilities – repayable within one year	(139,244,489)	(2,954,780)
Banking loans and facilities – repayable after one year	(514,118,006)	(34,884,014)
	(456,767,814)	(33,314,185)

Cash and cash equivalents	141,381,380	2,669,689
Long-term bank deposits	25,213,301	1,854,920
Margin deposits	30,000,000	-
Fixed rate facilities	(265,661,189)	-
Floating rate facilities	(387,701,306)	(37,838,794)
	(456,767,814)	(33,314,185)

31 Reconciliation of liabilities arising from financing activities (continued)

	Cash and bank balances		Liabilities from financing activities		Total
	Cash and cash equivalents AED	Term Deposits AED	Banking loans and facilities – repayable within one year AED	Banking loans and facilities – repayable after one year AED	AED
Net debt					
As at 1 January 2018	2,669,689	1,854,920	(2,954,780)	(34,884,014)	(33,314,185)
Cash flows	140,127,298	53,358,381	(136,289,709)	(479,233,992)	(422,038,022)
Net foreign exchange difference	(1,415,607)	-	-	-	(1,415,607)
As at 31 December 2018	141,381,380	55,213,301	(139,244,489)	(514,118,006)	(456,767,814)
Net debt					
As at 1 January 2017	4,020,775	1,854,920	(3,692,198)	(31,002,455)	(28,818,958)
Cash flows	4,935,358	-	(737,418)	3,881,559	8,079,499
Net foreign exchange difference	(6,286,444)	-	1,474,836	(7,763,118)	(12,574,726)
As at 31 December 2017	2,669,689	1,854,920	(2,954,780)	(34,884,014)	(33,314,185)