NATIONAL CORPORATION FOR TOURISM AND HOTELS

Reports and consolidated financial Statements for the year ended 31 December 2018

NATIONAL CORPORATION FOR TOURISM AND HOTELS

Reports and consolidated financial statements
for the year ended 31 December 2018

NCT&H

To All Esteemed Shareholders

Dear Sirs,

It is my honor, and my colleagues, members of the Board of Directors, to express our thanks and appreciation to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates, and to H.H. Sheikh Mohamed Bin Zayed Al Nahyan, Crowne Prince, for their continuous support and assistance to us in all fields.

With regards to the performance of National Corporation for Tourism and Hotels ("NCTH" or the "Corporation") for the year 2018, the total revenues of the Corporation amounted to Dhs. 709.3 Million compared to Dhs. 727.9 Million in the prior year 2017, resulting in a decrease of Dhs. 18.6 Million or by 2.6% due to the decline in the revenues of the Hotel Division by Dhs. 14.9 Million resulted to the decline in ARR, translating to a decrease in profit from last year by Dhs. 9.2 Million as well as a decline in Retail Division's revenues by Dhs. 12 Million due to an additional 30% fees imposed, translating to a decrease in profit of Dhs. 7.9 Million; however, offset by the improved performance of the Catering Division which increased its revenues by Dhs. 6.7 Million translating to an increase in profits of Dhs. 10.6 Million. Thus, the overall result of the Corporation for the year 2018 resulted to a net profit of Dhs. 100.5

المؤسسة الوطنية للسياحة والفنادق
National Corporation for Tourism and Hotels

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Million compared to last year of Dhs. 103.9 Million, a decrease of Dhs. 3.38 Million or 3.3%.

As expected, the year 2018 once again proved to be a difficult period for the hotel and tourism industry in the Emirate of Abu Dhabi. It is common knowledge that the hotel market is under pressure and facing many challenges mainly due to the increasing supply especially five-star hotels, thus, the over-supply of very deluxe rooms has negatively impacted hotel owners and operators. Generally, hotel operators have continued the policy of reducing the room rates in order to secure occupancy and attract more guests. Unfortunately, this policy did little to add value to the operation and to the market as a whole. The tremendous increase of extra-deluxe hotels would require similar increase on demand in corporate, exhibition or category of clients who are ready to pay high room rates, this is not the situation so far; and without focusing on attracting those segments the hotel room rates will continue to struggle. The fees imposed on hotels during these challenging times has added more pressure on the hotels in all segments. We believe that this needs to be reassessed.

On a positive note, during the second half of 2018, Abu Dhabi Tourism Authority enforced a reduction on the taxes and fees imposed on the room rates in order to boost the hotel sector, which was a welcome relief to all operators given the suffering hotel

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market. Since this was implemented only on the second half of 2018, management expects to see the full positive effect of the rate reduction on customer demand in the year 2019.

With regards to the performance of the Retail Division, the Abu Dhabi market for retail sales has been seeing a constant increase in competition thus affecting the demand and negatively affecting the performance of Retail Division. Moreover, in 2018, new 30% fees were imposed in Abu Dhabi for retail sales which we believe have discouraged normal consumer spending. Nevertheless, management is continuing to find ways in order to counter this effects by constantly looking for new strategic store locations and new areas where the Retail Division can fill the lack of supply.

As for the Catering division, management's outlook is that of continuously growing industry that is open for opportunities, and thus, the Corporation's direction is to keep on penetrating new markets and continually increase the market share.

Overall, the economy is still in a challenging period in terms of the Corporation's business providing very little room for revenue growth, hence, the Board direction is to continue pursuing ways to control cost at every possible level.

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Despite the difficulties of the economy, NCTH met all its obligations towards the Banks on time and succeeded to maintain solid cash and cash equivalents and short term deposits amounting Dhs. 496 Million compared to Dhs. 425 Million for the year 2017, for which the deposits of the Corporation have contributed to Dhs. 13.1 Million in income. The Corporation's liquidity supports its position to achieve its projects' development.

Believing in UAE's solid economy and for long-term plan, the Corporation, in keeping up with the challenging market conditions, has been looking for all possible ways to maximize the use of its properties and facilities; the Corporation has been extending its full efforts in the development of the current Hotel and Hotel Apartments projects under the brand name Marina Intercontinental of which the construction is now on progress and expected to be completed by end of 2020. Furthermore, the Saadiyat Island Ritz Carlton project and residential apartment building project in ADNEC (expected to be completed by October 2021) is also ongoing and construction plans are being finalized together with the consultants and project partners. These projects will strengthen the Corporation's position in the Abu Dhabi hotel market and will provide additional revenues to the Corporation.

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On behalf of my colleagues the members of the Board of Directors, I would like to thank the Shareholders for their support and trust, all the public and private establishments as well as management and employees of the Corporation for their efforts.

Thanks & regards,

Hamdan Bin Mubarak Al Nahyan

Chairman of the Board

المؤسسة الوطنية للسياحة والفنادق

National Corporation for Tourism and Hotels

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Corporation for Tourism and Hotels
Abu Dhabi, United Arab Emirates

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS

Opinion

We have audited the consolidated financial statements of National Corporation for Tourism and Hotels (the "Corporation") and its subsidiary (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Matter

The Group's consolidated financial statements as at and for the year ended 31 December 2017 were audited by another auditor whose report dated 13 February 2018 expressed an unmodified opinion thereon.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

The key audit 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><th colspan="2">Application of IFRS 9 Financial Instruments</th></tr>
<tr><td>The Group adopted IFRS 9 Financial Instruments ("IFRS 9") with effect from 1 January 2018. IFRS 9 supersedes the requirements of IAS 39 Financial Instruments – Recognition and Measurement.

IFRS 9 addresses the classification, measurement and hedge accounting for financial instruments and also introduces new impairment model for financial assets at amortised cost. Management has determined that the most significant impact of the new standard on the Group's consolidated financial statements relates to the calculation of expected credit losses ("ECL") for trade receivables.

As at 31 December 2018, the carrying value of trade receivables amounted to AED 121,582 thousand and the ECL amounted to AED 23,613 thousand (Note 9).

Management has applied a simplified approach to recognise life-time expected losses for measurement of ECL for trade receivables. The ECL model involves use of various assumptions, macro-economic factors and study of historical trends relating to the Group's collections experience.

We consider this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.

Refer to Note 2.1 which explains the impact application of IFRS 9, Note 3 for accounting policy and Note 9 for related disclosures in the accompanying consolidated financial statements.</td><td>We performed the following procedures in relation to the application of IFRS 9:

• reviewed management's assessment of the application of IFRS 9 in terms of the classification and measurement of financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of impairment of trade receivables, using our industry experience and knowledge of the Group;
• compared the ECL model developed by management to the requirements of IFRS 9 and evaluated the reasonableness of the methodology in comparison to accepted practice. We also tested the arithmetical accuracy of the model;
• tested key assumptions, such as those used to calculate the likelihood and extent of loss, by comparing to historical data. We also considered the incorporation of forward looking factors to reflect the impact of future conditions on expected credit losses; and
• involved our accounting subject matter specialist to assess the methodology used in the ECL model and compared this against accepted practices.

We have also assessed the appropriateness of the disclosures provided in Note 2, Note 3 and Note 9 to the consolidated financial statements.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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 the applicable provisions of the articles of association of the Corporation and the UAE Federal Law No. (2) of 2015, and for such internal control as management determine 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 have no realistic alternative but to do so.

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.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' 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 auditors' 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; and
- 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Corporation has maintained proper books of account;
- The financial information included in the Chairman's Report is consistent with the books of account and records of the Group;
- As disclosed in Note 7, the Group has not purchased or invested in shares during the financial year ended 31 December 2018;
- Note 16 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- Note 17 reflects the disclosures relating to social contributions made during the year; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Corporation has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2018.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
17 March 2019
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2018

	Notes	2018 AED	2017 AED
ASSETS			
Non-current assets			
Property and equipment	5	1,270,049,368	1,285,921,531
Investment in joint ventures	6	244,193,443	241,801,607
Available for sale investments	7	-	10,250,000
Total non-current assets		1,514,242,811	1,537,973,138
Current assets			
Inventories	8	20,932,176	18,899,917
Trade and other receivables	9	177,656,853	134,484,810
Short term deposits	10	384,557,972	288,570,444
Cash and cash equivalent	10	111,622,917	136,292,562
Total current assets		694,769,918	578,247,733
Total assets		2,209,012,729	2,116,220,871
EQUITY AND LIABILITIES			
Equity			
Share capital	11	748,440,000	680,400,000
Statutory reserve	12	158,157,546	148,107,208
General reserve	12	15,000,000	15,000,000
Investments revaluation reserve	12	-	(612,369)
Properties revaluation reserve	12	740,673,589	740,673,589
Retained earnings		42,769,923	32,872,127
Total equity		1,705,041,058	1,616,440,555
Non-current liabilities			
Term loans	13	218,463,292	220,934,487
Provision for employees' end of service benefits	14	38,059,825	36,363,657
Total non-current liabilities		256,523,117	257,298,144
Current liabilities			
Trade and other payables	15	189,515,434	176,826,122
Term loans	13	57,933,120	65,656,050
Total current liabilities		247,448,554	242,482,172
Total liabilities		503,971,671	499,780,316
Total equity and liabilities		2,209,012,729	2,116,220,871

Chairman **Chief Executive Officer** **Finance Director**

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

Consolidated statement of profit or loss for the year ended 31 December 2018

	Notes	2018 AED	2017 AED
Revenue	22	709,327,004	727,899,294
Direct operating expenses	22	(591,297,854)	(605,215,203)
Gross profit		118,029,150	122,684,091
General and administrative expenses	17	(29,458,720)	(29,225,174)
Share of results of joint ventures	6	2,341,836	1,729,720
Investment and other income, net	18	7,317,245	12,714,335
Gain on disposal of a subsidiary	25	150,000	-
Interest income		13,105,358	8,533,553
Finance costs		(10,981,493)	(12,555,058)
Profit for the year		100,503,376	103,881,467
Basic and diluted earnings per share	19	0.13	0.14

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Notes	2018 AED	2017 AED
Profit for the year		**100,503,376**	103,881,467
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of land	5	-	740,673,589
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of available for sale investments	2.1	-	(612,369)
Total comprehensive income for the year		**100,503,376**	843,942,687

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

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Properties revaluation reserve AED	Retained Earnings AED	Total equity AED
Balance at 1 January 2017	567,000,000	137,719,061	15,000,000	-	-	65,390,864	785,109,925
Profit for the year	-	-	-	-	-	103,881,467	103,881,467
Other comprehensive income for the year	-	-	-	(612,369)	740,673,589	-	740,061,220
Total comprehensive income for the year	-	-	-	(612,369)	740,673,589	103,881,467	843,942,687
Bonus shares (note 20)	113,400,000	-	-	-	-	(113,400,000)	-
Directors' remuneration paid (note 21)	-	-	-	-	-	(12,612,057)	(12,612,057)
Transfer to statutory reserve	-	10,388,147	-	-	-	(10,388,147)	-
At 31 December 2017	680,400,000	148,107,208	15,000,000	(612,369)	740,673,589	32,872,127	1,616,440,555
Effect of change in accounting policy for IFRS 9 (note 2.1)	-	-	-	612,369	-	(6,567,910)	(5,955,541)
Balance at 1 January 2018 – as restated	680,400,000	148,107,208	15,000,000	-	740,673,589	26,304,217	1,610,485,014
Profit for the year	-	-	-	-	-	100,503,376	100,503,376
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	100,503,376	100,503,376
Bonus shares (note 20)	68,040,000	-	-	-	-	(68,040,000)	-
Directors' remuneration paid (note 21)	-	-	-	-	-	(5,947,332)	(5,947,332)
Transfer to statutory reserve	-	10,050,338	-	-	-	(10,050,338)	-
At 31 December 2018	**748,440,000**	**158,157,546**	**15,000,000**	-	**740,673,589**	**42,769,923**	**1,705,041,058**

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

Consolidated statement of cash flows
for the year ended 31 December 2018

	2018 AED	2017 AED
Cash flows from operating activities		
Profit for the year	**100,503,376**	103,881,467
Adjustments for:		
Depreciation of property and equipment	**34,713,288**	34,154,953
Share of results of joint ventures	**(2,341,836)**	(1,729,720)
Gain on disposal of financial assets at FVTPL	**(1,137,500)**	-
Provision for employees' end of service benefits	**9,608,465**	9,019,474
Loss/(gain) on disposal of property and equipment	**1,883,719**	(832,169)
Gain on transfer of property and equipment to a joint venture	**-**	(2,190,283)
Provision for impairment on trade receivables	**901,000**	914,680
Gain on disposal of a subsidiary	**(150,000)**	-
Interest income	**(13,105,358)**	(8,533,553)
Finance costs	**10,981,493**	12,555,058
Operating cash flows before movements in working capital	**141,856,647**	147,239,907
Increase in inventories	**(2,032,259)**	(3,051,048)
(Increase)/decrease in trade and other receivables	**(52,460,861)**	27,411,543
Increase/(decrease) in trade and other payables	**20,871,217**	(6,276,588)
Cash from operations	**108,234,744**	165,323,814
Employees' end of service benefits paid	**(7,877,017)**	(7,902,463)
Net cash generated from operating activities	**100,357,727**	157,421,351
Cash flows from investing activities		
Movement in deposits with original maturity of more than three months	**(95,987,528)**	(48,168,138)
Purchase of property and equipment	**(22,737,772)**	(40,421,268)
Proceeds from disposal of property and equipment	**1,287,369**	843,961
Purchase of investments	**-**	(10,862,369)
Proceeds from disposal of investments	**11,387,500**	-
Interest received	**11,352,097**	7,769,163
Investment made in a joint venture	**(50,000)**	-
Net cash outflow on disposal of a subsidiary (note 25)	**(333,870)**	-
Net cash used in investing activities	**(95,082,204)**	(90,838,651)
Cash flows from financing activities		
Repayments of term loans	**(48,156,050)**	(30,656,050)
Proceeds from term loans	**37,071,559**	13,812,126
Finance costs paid	**(12,913,345)**	(12,407,498)
Directors' remuneration paid	**(5,947,332)**	(12,612,057)
Net cash used in financing activities	**(29,945,168)**	(41,863,479)
Net (decrease)/increase in cash and cash equivalents	**(24,669,645)**	24,719,221
Cash and cash equivalents at beginning of the year	**136,292,562**	111,573,341
Cash and cash equivalents at end of the year (note 10)	**111,622,917**	136,292,562

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

1 General information

National Corporation for Tourism and Hotels (the "Corporation"), a public shareholding company, was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 11 December 1996 by Law No. (7) of 1996, to own, manage and invest in hotels and leisure complexes and to undertake other related business. The Corporation's shares are listed on Abu Dhabi Securities Exchange.

The Corporation's registered office is P.O. Box 6942, Abu Dhabi, UAE.

The Corporation owns four hotels within the UAE: (a) Abu Dhabi InterContinental Hotel, which is managed by an international hotel operating company; and (b) Danat Al Ain Resort, Al Dhafra Beach Hotel and Danat Jebel Al Dhanna Resort directly operated and managed by the Corporation. In addition, the Corporation provides catering services and has investments (other than available-for-sale or fair value through profit or loss) in the following entities:

Name	Nature	Country of operation	Principal activity	Ownership Interest 2018	2017
Skyline Travel and Tourism (the "Subsidiary")	Subsidiary	UAE	Travel agency	-	100%
National Transportation Company L.L.C ("NTC")	Joint venture	UAE	Transport services	**50%**	50%
Velocity Property Development LLC	Joint Venture	UAE	Real estate	**60.12%**	60.12%

The Corporation operates six hotel properties and rest houses through management agreements along with four hotel properties through asset management agreements, all owned by other parties.

These consolidated financial statements include the performance and financial position of the Corporation and its subsidiary (collectively referred to as, the "Group") for the year ended 31 December 2018. During the year, the Corporation disposed of its entire 100% equity stake in the Subsidiary (note 25).

2 Adoption of new and revised Standards

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements.

<u>**IFRIC 22 *Foreign Currency Transactions and Advance Consideration***</u>

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

2 Adoption of new and revised Standards (continued)

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

Amendments to IAS 40 *Investment Property* to clarify transfers of property to, or from, investment property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 *Insurance Contracts* relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standards

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On application, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are not relevant to the Group.

Amendments to IAS 28 *Investments in Associates and Joint Ventures* - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

2 Adoption of new and revised Standards (continued)

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

IFRS 15 *Revenue from Contracts with Customers*

In the current period, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016). IFRS 15 introduces a 5-step approach to revenue recognition.

The Group has applied IFRS 15 in accordance with the modified retrospective transitional approach, with effect of initially applying this standard recognised at the date of initial application, i.e. 1 January 2018. Accordingly, information presented for 31 December 2017 has not been restated. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

IFRS 9 *Financial Instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives and accordingly the Group has elected to not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated.

2 Adoption of new and revised Standards (continued)

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

IFRS 9 *Financial Instruments* (continued)

(a) Classification and measurement of financial assets (continued)

Management of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTPL; and
- loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The below tabulates the change in classification of the Group's financial assets upon application of IFRS 9:

	FVTPL AED	Available-for-sale investments AED
Ending balance at 31 December 2017 – IAS 39	-	10,250,000
Reclassification investments from available-for-sale to FVTPL	10,250,000	(10,250,000)
Balance at 1 January 2018 – as restated	10,250,000	-

The change in classification of the Group's investments in equity securities has resulted in the fair value gain on available-for-sale financial assets of AED 612,369 accumulated in revaluation reserve being reclassified to the retained earnings on 1 January 2018 as follows:

	31 December 2017 AED
Retained earnings – IAS 39	32,872,127
Impact of reclassification of investments from available-for-sale to FVTPL	(612,369)
Retained earnings – as restated	32,259,758

None of the other reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income during the year.

2 Adoption of new and revised Standards (continued)

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

IFRS 9 *Financial Instruments* (continued)

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on

- debt investments subsequently measured at amortised cost or at FVTOCI,
- lease receivables,
- contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group considers a financial asset in default when contractual payment from 90 to 300 days past due, depending on the business segment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As at 1 January 2018, management of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

2 Adoption of new and revised Standards (continued)

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

IFRS 9 *Financial Instruments* (continued)

(b) Impairment of financial assets (continued)

Items existing as at 1 January 2018 that are subject to the impairment provisions	Credit risk attributes at 1 January 2018	Cumulative additional loss allowance recognised on 1 January 2018
		AED
Trade and other receivables including amounts due from related parties	The Group applied the simplified approach and recognised lifetime ECL for these assets.	5,955,541
Cash and cash equivalents	All bank balances are assessed to have low credit risk at 1 January 2018 as they have held with reputable local banking institutions.	-
		5,955,541

The additional credit loss allowance of AED 5,955,541 as at 1 January 2018 has been recognised against retained earnings on that date, resulting in a net decrease in retained earnings of AED 5,955,541 as at 1 January 2018. The additional loss allowance is charged against the respective asset.

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 January 2018 is disclosed in their respective notes.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in these consolidated financial statements.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing costs.*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments in IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation.	1 January 2019
Amendment to IAS 19 *Employee Benefits* relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to *Definition of Material*	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Except for IFRS 16 *Leases*, management do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

IFRS 16 *Leases*

General impact of application of IFRS 16 *Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

The Group has chosen the cumulative catch-up approach of IFRS 16 in accordance with IFRS 16. Under this approach, the Group will recognise the cumulative impact of initially adopting IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

2 Adoption of new and revised Standards (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

IFRS 16 *Leases (continued)*

Impact on lessee accounting

Operating leases

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

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

- recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- recognise depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of AED 19.2 million. The Group is currently assessing the impact of IFRS 16 on its consolidation financial statements.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

As at 31 December 2018, management has assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements as the Group does not have any finance leases.

3 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and applicable provisions of UAE Federal Law No. (2) of 2015.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for land and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

These consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the Group.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation. Control is achieved where the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Corporation 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.

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

When the Corporation 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 Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Corporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation'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 owners of the Corporation.

Business combination

Business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in consolidated statement of profit or loss.

3 Summary of significant accounting policies (continued)

Business combination (continued)

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as a charge to consolidated statement of other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

Investment in joint ventures

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

3 Summary of significant accounting policies (continued)

Investment in joint ventures (continued)

The consolidated statement of income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

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

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

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

When the Group contributes a non-monetary asset, not a business, in exchange for an equity interest in the joint venture, it recognises any gain or loss from the transaction to the extent of the unrelated party's interest. The cost of the investment in the joint venture is the cost of the asset contributed plus the recognised portion of the gain or loss plus any transaction costs or contingent consideration.

Revenue recognition

The Group has applied IFRS 15 with effect from 1 January 2018. As a result, the Group has applied the following accounting policy in the preparation of its consolidated financial statements.

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

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Group recognises revenue from contracts with customers based on the five step model 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 unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

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

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

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation
The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

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

The Group recognises revenue from the following major sources:

- Hotel revenues
- Retail revenues
- Catering revenues
- Management fee

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Hospitality revenues

Hotel revenue corresponds to all the revenues received from guests of the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Retail revenues

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Catering revenues

Revenue is recognised in the period in which food and support services are provided in accordance with the terms of the contractual relationships with third parties. Revenue represents the fair value of the consideration received or receivable for food and support services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Management fee

Management fee is related to the provision of management, investment advisory and asset management services to the managed hotels and is recognised when the services are performed.

Accounting policy applicable as of 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

- Operating revenue represents the sale of hotel rooms, food and beverage, catering and other services. These are invoiced to customers upon provision of services and delivery of goods during the year. Revenue is stated net of allowances and rebates.
- Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- Dividend income from investments is recognised when the shareholders' rights to receive payment is established.
- Management fee is related to the provision of management, investment advisory and asset management services to the hotels and is recognised when the service is performed.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

3 Summary of significant accounting policies (continued)

Foreign currencies

For the purpose of these consolidated financial statements, the UAE Dirham (AED) is functional and presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property and equipment

Land is stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ significantly from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

All other property and equipment are stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Assets under construction are stated at cost and are not depreciated. When commissioned, assets under construction are transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

3 Summary of significant accounting policies (continued)

Property and equipment (continued)

Land is not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	10 - 30
Mechanical, electrical and plumbing	7 - 10
Furniture, fixtures and operating equipment	5 - 7
Motor vehicles	4 - 5

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

Increases in the carrying amount arising on revaluation of land are credited to consolidated other comprehensive income and shown as an properties revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against properties revaluation reserve directly in equity; all other decreases are charged to the profit or loss.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the profit of loss when the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the asset including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment or intangible asset category and is depreciated or amortised in accordance with the Group's policies.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on a weighted average cost basis.

Net realisable value is based on estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employees' end of service benefits

An accrual 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 is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the reporting date. With respect to its national employees, the Group makes contributions to a UAE Government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 Summary of significant accounting policies (continued)

Employees' end of service benefits (continued)

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

Classification of financial assets and liabilities

Initial recognition

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Business model assessment

The Group entities make an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior periods, the reasons for such trades and its expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised;
- how the performance of the portfolio is evaluated and reported to the management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Financial liabilities (continued)

Financial liabilities, at initial recognition, may be designated at FVTPL if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of profit or loss.

Subsequent measurement and gain or losses

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gain or loss on derecognition is recognised in the consolidated income statement.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated income statement.

Financial liabilities at amortised cost

Mainly includes borrowings and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Reclassification

Financial assets

Group only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group's operations and demonstrable to external parties.

Financial liabilities

Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not permitted.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated income statement.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

Derecognition

Financial assets

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; or
- the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Derecognition (continued)

Financial assets (continued)

Any interest in transferred financial assets that qualify for derecogniton that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Measured at amortised cost

Any gain or loss on derecognition of financial assets measured at amortised cost is recognised in the consolidated statement of profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model under IAS 39 with a forward-looking 'expected credit losses' ('ECL') model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Group recognises loss allowances for ECLs on the following instruments that are not measured at FVTPL:

- financial assets measured that are debt instruments carried at amortised cost or FVOCI; and
- financial guarantee contracts issued.

The Group measures loss allowances either using general or simplified approach as considered appropriate.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Impairment of financial assets (continued)

Under general approach, loss allowances are measured at an amount equal to 12-month expected credit loss except when there has been a significant increase in credit risk since inception. In such cases, the Group measures loss allowances at an amount equal to lifetime expected credit loss.

Under simplified approach, loss allowances are always measured at an amount equal to lifetime expected credit loss.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach.

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive); and
- financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90-300 days past due, depending on the business segment, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated statement or profit or loss.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Accounting policy applicable as of 31 December 2017

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables and available for sale investments.

The subsequent measurement of financial assets depends on their classification as follows:

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Accounting policy applicable as of 31 December 2017 (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in "investment and other income, net" in the consolidated statement of income.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in "investment and other income", or determined to be impaired, at which time the cumulative loss is recognised in "investment and other income, net" in the consolidated statement of income and removed from the available-for-sale reserve.

Derecognition of financial assets

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Accounting policy applicable as of 31 December 2017 (continued)

Financial assets (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income — is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in the consolidated statement of other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, term loans, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as follows:

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Accounting policy applicable as of 31 December 2017 (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised.

Derecognition of financial liabilities

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 income.

4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, Management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgment and significant estimates made by management are summarised below:

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

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

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

Calculation of loss allowance (continued)

If the ECL rates on each past due time bucket had been 0.5% higher (lower) as of December 2018, the loss allowance on trade receivables would have been changed as follows:

	2018
	AED
Due for 1 to 30 days	**162,456**
Due for 31 to 60 days	**111,843**
Due for 61 to 90 days	**19,624**
Due for 91 to 120 days	**7,853**
Due for more than 120 days	**90,108**

Impairment of property and equipment and capital work in progress

Properties classified under property and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Useful lives of property and equipment

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful lives and the general standards in the industry. . It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technical obsolete or non-strategic assets that have been abandon or sold. Management has reviewed the residual values and the estimated useful lives of property and equipment in accordance with IAS 16 *Property, Plant and Equipment* and has determined that these expectations do not significantly differ from previous estimates.

Capitalisation of capital work in progress

In determining the timing to capitalise capital work in progress, management has considered the principles of IAS 16 *Property, Plant and Equipment*. On that basis, management considers the capability of the assets to operate in the manner intended by management, taking into consideration trends and level of production and salability of the products.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

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

Revaluation of land

The Group measures its land at revalued amount. In estimating the revaluated amount of land, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Based on the valuations performed by an independent valuer, management believes that the fair value of land does not differ significantly from its carrying amount.

Impairment of investments in joint ventures

Management regularly reviews its investments in joint ventures for indicators of impairment. This determination of whether investments in joint ventures are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in consolidated profit or loss. Management is satisfied that no impairment provision is necessary on its investments in joint ventures.

Joint arrangements

The Group holds 50% and 60.12% of the voting rights of its joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's joint arrangements provide the Group and the parties to the arrangements with rights to the net assets. Therefore, these arrangements are classified as joint ventures.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Property and equipment

	Land at revalued amount AED	Buildings at cost AED	Mechanical, electrical and plumbing equipment at cost AED	Furniture, fixtures and operating equipment at cost AED	Motor vehicles at cost AED	Capital work in progress at cost AED	Total AED
Cost							
At 1 January 2017	214,408,747	648,378,434	149,247,310	281,705,930	26,401,264	134,227,716	1,454,369,401
Additions	-	-	700,000	21,260,583	1,628,300	16,832,385	40,421,268
Transferred to a joint venture (note 6)	(123,282,336)	-	-	-	-	(89,805,478)	(213,087,814)
Disposals	-	(26,524,409)	(725,000)	(9,986,342)	(1,076,500)	-	(38,312,251)
Revaluation increase	740,673,589	-	-	-	-	-	740,673,589
Adjustments	-	(487,883)	-	-	-	-	(487,883)
At 31 December 2017	831,800,000	621,366,142	149,222,310	292,980,171	26,953,064	61,254,623	1,983,576,310
Additions	-	899,982	-	10,405,285	2,024,679	9,407,826	22,737,772
Disposals	-	(7,649,000)	-	(3,810,984)	(1,884,500)	-	(13,344,484)
Transfers	-	4,599,899	1,926,245	(6,526,144)	-	-	-
Derecognised upon disposal of a subsidiary	-	-	-	(938,087)	-	-	(938,087)
At 31 December 2018	**831,800,000**	**619,217,023**	**151,148,555**	**292,110,241**	**27,093,243**	**70,662,449**	**1,992,031,511**

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

5 Property and equipment (continued)

	Land at revalued amount AED	Buildings at cost AED	Mechanical, electrical and plumbing equipment at cost AED	Furniture, fixtures and operating equipment at cost AED	Motor vehicles at cost AED	Capital work in progress at cost AED	Total AED
Accumulated depreciation							
At 1 January 2017	-	356,789,514	102,067,055	225,826,299	17,117,417	-	701,800,285
Charge for the year	-	13,413,520	5,086,728	11,133,180	4,521,525	-	34,154,953
Disposals	-	(26,524,409)	(725,000)	(9,984,967)	(1,066,083)	-	(38,300,459)
At 31 December 2017	-	343,678,625	106,428,783	226,974,512	20,572,859	-	697,654,779
Charge for the year	-	13,317,292	5,247,208	12,671,758	3,477,030	-	34,713,288
Disposals	-	(4,478,036)	-	(3,810,860)	(1,884,500)	-	(10,173,396)
Transfers	-	124,014	130,634	(254,648)	-	-	-
Derecognised upon disposal of a subsidiary	-	-	-	(212,528)	-	-	(212,528)
At 31 December 2018	-	**352,641,895**	**111,806,625**	**235,368,234**	**22,165,389**	-	**721,982,143**
Carrying amount							
31 December 2018	**831,800,000**	**266,575,128**	**39,341,930**	**56,742,007**	**4,927,854**	**70,662,449**	**1,270,049,368**
31 December 2017	831,800,000	277,687,517	42,793,527	66,005,659	6,380,205	61,254,623	1,285,921,531

In 2017, the Group retired one of its fully depreciated buildings including furnitures and fixtures as it will be replaced by a new building at a new location.

5 Property and equipment (continued)

The depreciation charge has been allocated in profit or loss as follows:

	2018 AED	2017 AED
Direct operating expenses	**32,484,984**	32,165,687
General and administrative expenses (note 17)	**2,228,304**	1,989,266
	34,713,288	34,154,953

Revaluation of land

Included in property and equipment is land stated at AED 831.8 million as at 31 December 2018 (2017: AED 831.8 million). Beginning 1 July 2017, the Group has changed its accounting policy for the measurement of land from cost model to revaluation model. The Group engaged an accredited independent valuer to determine the fair value of its land. On revaluation, the carrying amount of the Group's land was adjusted to its revalued amount.

If land was measured using the cost model, the carrying amount of land would be AED 91.1 million as at 31 December 2018 (2017: AED 91.1 million).

The fair value of the land on 1 July 2017, the revaluation date, was determined based on the market comparable approach that reflects recent transaction prices for similar assets adjusted for differences in key attributes such as location, plot area and shape, potential built-up area allowance, height allowance, date of sale, potential views and other individual characteristics. The fair value exercise was performed by an independent valuer not related to the Group. The valuation has been carried out in accordance with RICS Valuation Professional Standards.

Details of the Group's land and information about the fair value hierarchy as at the valuation date (1 July 2017) are as follows:

	Level 1 AED	Level 2 AED	Level 3 AED	Revalued as at 1 July 2017 AED
Land	-	-	831,800,000	831,800,000

There were no transfers between Level 1 and Level 2 during the year. In estimating the fair value of land, the highest and best use of the land is its current use.

Capital work in progress

At 31 December 2018, capital work in progress amounting to AED 55.09 million (2017: AED 51.8 million) relates to a hotel project which has been ongoing since 2007 - Intercontinental Hotel - Grand Marina project. The Corporation has been working closely with their consultants for several years to meet the requirements of government authorities regarding certain specification and design matters of the project. In January 2017, the Corporation finally obtained the necessary approvals from the Abu Dhabi Urban Planning Council and thereafter, the design development and piling works for this project commenced. During the year, Corporation has appointed the contractor for the said project and the work on the project has commenced.

5 Property and equipment (continued)

During the year, borrowing costs amounting to AED 1,962,537 (2017: AED 1,759,090) have been capitalised.

Term loans are secured with mortgage over land and building with carrying value of AED 763.3 million (2017: AED 768 million) (Note 13).

6 Investment in joint ventures

	2018 AED	2017 AED
Investment in joint ventures	**244,193,443**	241,801,607

(a) National Transport Company

Investment in joint ventures includes an investment to National Transport Company of 50%. Movement in the investment in joint venture is as follows:

	2018 AED	2017 AED
At 1 January	**14,523,510**	12,793,790
Additional contribution	**50,000**	-
Share of results for the year	**2,341,836**	1,729,720
At 31 December	**16,915,346**	14,523,510

Summarised financial information in respect of National Transport Company is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs:

	2018 AED	2017 AED
Revenue	**41,197,099**	35,797,545
Cost of sales	**(34,136,433)**	(29,486,929)
Administrative expenses	**(2,587,758)**	(2,321,943)
Other income	**1,185,747**	394,637
Finance costs	**(974,984)**	(923,871)
Profit for the year	**4,683,671**	3,459,439
Group's share of results for the year	**2,341,836**	1,729,720

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

6 Investment in joint ventures (continued)

(a) National Transport Company (continued)

	2018 AED	2017 AED
Property, plant, and equipment	31,443,701	39,350,962
Accounts receivables and prepayments	17,412,017	11,285,989
Cash and bank balances	591,530	1,485,250
Accounts payable and accruals	(4,320,768)	(5,252,819)
Provision for value added tax	(312,878)	-
Employees' end of service benefits	(1,978,657)	(1,704,606)
Term loans	(9,004,254)	(16,117,757)
Net assets	33,830,691	29,047,019
Group's share of net assets at 50%	16,915,346	14,523,510

(b) Velocity Property Development LLC

In 2015, the Corporation and a third party company entered into a formal joint venture agreement to establish Velocity Property Development LLC (the "Joint Venture") with share capital contribution of 60.12% and 39.88%, respectively. The Group will contribute land and existing works to the Joint Venture.

The Joint Venture has been formed for the purpose of developing and managing the plot located at ADNEC area in Abu Dhabi, United Arab Emirates.

In 2017, the control over the land and existing works as contributed by the Group with a fair value of AED 218.6 million as determined by an external valuer were transferred to the Joint Venture.

Movement in the investment in joint venture is as follows:

	2018 AED	2017 AED
At 1 January	227,278,097	-
Transferred from property and equipment (Note 5)	-	213,087,814
Additional contribution	-	12,000,000
Gain on transfer of property and equipment	-	2,190,283
At 31 December	227,278,097	227,278,097

As at 31 December 2018, the Joint Venture has not yet started its commercial operations.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Available for sale investments

	2018 AED	2017 AED
Available for sale investments	-	10,250,000

In April 2017, the Group purchased quoted shares amounting to AED 10,862,369. As at 31 December 2017, available for sale investments were classified under level 1 of fair value hierarchy. Upon adoption of IFRS 9 on 1 January 2018, the group reclassified the available for sale investments to investment at fair value through profit or loss (Note 2.1). During the year, the Group sold all the quoted shares for AED 11,387,500 thus resulting in a gain of AED 1,137,500. The Group has not purchased or invested in shares during the year.

8 Inventories

	2018 AED	2017 AED
Food and beverages	**18,895,207**	17,044,787
Engineering and operating supplies	**2,036,969**	1,855,130
	20,932,176	18,899,917

Inventories recognised as an expense during 2018 amounted to AED 202.44 million (2017: AED 216.53 million). These were included in direct operating expenses.

9 Trade and other receivables

	2018 AED	2017 AED
Trade receivables	**121,582,036**	119,592,808
Less: allowance for impairement	**(23,612,931)**	(16,756,390)
	97,969,105	102,836,418
Prepayments and advances	**59,623,496**	17,200,098
Interest receivable	**5,247,820**	3,494,559
Value-added-tax receivable	**3,582,054**	-
Amounts due from a related party (note 16)	**100,283**	1,039,812
Other receivables	**11,134,095**	9,913,923
	177,656,853	134,484,810

Prepayments and advances include advance provided to contractor during the year amounting to AED 36.7 million related to construction of Intercontinental Hotel - Grand Marina project (Note 5).

9 Trade and other receivables (continued)

The average credit period on sale of goods or services rendered is ranging from 30 to 360 days depending on the business segment and the credit standing of the customer. No interest is charged on outstanding trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The Group has adopted a policy of dealing only with creditworthy counterparties. Adequate credit assessment is made before accepting an order for services or sale of goods from any counterparty.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2018 **AED**	2017 AED
Balance as at 1 January under IAS 39	**16,756,390**	15,860,210
Adjustment upon application of IFRS 9	**5,955,541**	-
Balance as at 1 January as per IFRS 9/IAS 39	**22,711,931**	15,860,210
Net remeasurement of loss allowance	**901,000**	896,180
At 31 December	**23,612,931**	16,756,390

10 Cash and bank balances

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

	2018 AED	2017 AED
Cash at bank and on hand	**111,622,917**	106,292,562
Short term deposits	**384,557,972**	318,570,444
	496,180,889	424,863,006
Less: short-term deposits with original maturity of more than three months	**(384,557,972)**	(288,570,444)
Cash and cash equivalents	**111,622,917**	136,292,562

Short-term deposits represents deposits held with financial institutions in the UAE and denominated in AED and carry an interest rate of 3.9% (2017: 2% to 4%) per annum.

Short-term deposits are made for varying periods of between six months and one year, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair values of short-term deposits are equal to carrying amount at year end.

11 Share capital

	2018 AED	2017 AED
Authorised capital		
748,440,000 ordinary shares of AED 1 each (2017: 680,400,000 ordinary shares of AED 1 each)	**748,440,000**	680,400,000
Issued, subscribed and paid up capital		
Opening balance	**680,400,000**	567,000,000
68,040,000 bonus shares issued of AED 1 each (2017: 113,400,000 shares of AED 1 each)	**68,040,000**	113,400,000
At 31 December	**748,440,000**	680,400,000

During the year, the Group issued 68,040,000 (2017: 113,400,000) bonus shares to its existing shareholders on the basis of 10% of ordinary shares held (2017: 20% of ordinary shares held). The bonus shares are ordinary shares and carry the same rights as other ordinary shares. The legal formalities of the issuance of the 2018 share capital was completed during April 2018 (2017: April 2017).

12 Reserves

Statutory reserve

In line with the provisions of the UAE Federal Law No. (2) of 2015 and the Group's Articles of Association, the Group is required to transfer annually to a statutory reserve account an amount equivalent to 10% of its profit for the year until such reserve reaches 50% of the share capital of the Group. The statutory reserve is not available for distribution.

General reserve

The general reserve has been established to enhance the capital base of the Group. Transfers to the general reserve are made upon recommendation of the Board of Directors of the Group.

Properties revaluation reserve

Properties revaluation reserve represents the net unrealised gains or losses that are recognized on the revaluation of land.

Investments revaluation reserve

Investments revaluation reserve represents the net unreleased gains or losses that are recognised on the available for sale financial assets.

13 Term loans

	2018 AED	2017 AED
Term loan 1	**70,000,000**	105,000,000
Term loan 2	**45,519,102**	16,530,412
Term loan 3	**-**	-
Term loan 4	**160,877,310**	165,060,125
	276,396,412	286,590,537
Less: Amount due for settlement after 12 months from the end of reporting year (classified under non-current liabilities)	**(218,463,292)**	(220,934,487)
Amount due for settlement within 12 months from the end of reporting year (classified under current liabilities)	**57,933,120**	65,656,050

The term loans comprise the following:

Term loan 1

In accordance with article 4 of Law No. 7 of 1996, dated 11 December 1996, the Government of Abu Dhabi sold three hotels namely Abu Dhabi Intercontinental Hotel, Danat Al Ain resort (formerly Al Ain Intercontinental Hotel) and Al Dhafra Beach Hotel to the Group for an amount of AED 350 million. The sale amount of AED 350 million has been granted as a long term loan by the Government of Abu Dhabi to the Group and is to be repaid over 20 years following a grace period of 5 years commencing from 11 December 1996 being the date of the loan agreement. The loan carries simple interest at 2% per annum to be charged after a grace period of 3 years. As at 31 December 2018, one scheduled payment due in 2018 amounting to AED 17.5 million has not been settled.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

13 Term loans (continued)

Term loan 2

During 2013, the Corporation obtained a loan facility from a local bank amounting to AED 220 million. The loan will be utilised to for the construction of a new hotel, Grand Marina. Total drawdown as at 31 December 2018 amounted to AED 45.5 million. Repayment of the loan is due after 36 months from first installment for main civil works contractor payments. The loan carries interest at the rate of 4% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 9 years by 36 quarterly installments. Additional drawdown of AED 174.5 million is available for this loan as at 31 December 2018.

The loan facility is secured by the following:

(i) Mortgage over the land plots and buildings of Abu Dhabi InterContinental Hotel.
(ii) Assignment of revenues of Abu Dhabi InterContinental Hotel.
(iii) Assignment of revenues up to AED 20 million of Danat Resort – Jebel Dhanna.
(iv) Assignment of entire revenues of the new hotel.
(v) Assignment of insurance in relation to the above property.

Term loan 3

During 2014, the Corporation obtained a loan facility from a local bank amounting to AED 250 million for a new hotel to be constructed on its Plot in Saadiyat Island, Abu Dhabi. No drawdown has been made by the Corporation as at 31 December 2018. Repayment of the loan is due after 3 years from initial drawdown. The loan is to be repaid in 12 years through 24 semi-annual installments. The loan carries interest at the rate of 3.5% over 3-months EBOR, subject to a minimum interest rate of 6.5% per annum. Interest is to be paid on a quarterly basis.

The loan facility is secured by the common security in Term Loan 2, and assignment of entire revenue of the new hotel, and all other related assignments.

Term loan 4

During 2015, the Corporation obtained a loan facility from a local bank amounting to AED 600 million which are split into two facilities of: (i) Facility A AED 131.6 million which is utilised to repay two existing loans from the same local bank and (ii) Facility B AED 468.4 million which will be utilised to repay another existing loan from the same local bank and to meet future investment opportunities. Facility A was fully utilised as at 31 December 2015, while Facility B drawdown amounted to AED 68.4 million as at 31 December 2018. Total drawdown for both facilities as at 31 December 2018 amounted to AED 200 million. Total outstanding loan balance for both facilities as at 31 December 2018 amounted to AED 167.1 million. Facility A carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Facility B carries interest at the rate of 3.25% over 3-months EBOR, subject to a minimum interest rate of 4.5% per annum. The Facilities A and B are to be repaid in 10 years from the date of the Loan Facility Agreement through semi-annual installments and one final payment on the final repayment date. Interest is to be paid on quarterly basis.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

13 Term loans (continued)

Term loan 4 (continued)

The loan facility is secured by the following:

(i) Mortgage over the land plots and buildings of Abu Dhabi Intercontinental Hotel, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.
(ii) Assignment of insurances of Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.
(iii) Assignment of receivables from Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.
(iv) Pledge over bank accounts of the Corporation and its divisions, Abu Dhabi Intercontinental Hotel, Danat Al Ain Resort, Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.

In July 2017, the Corporation voluntarily cancelled part of the available facility amounting to AED 400 million of the Facility B. In September 2017, the bank has approved the release of mortgage on the land plots of Danat Resort – Jebel Dhanna and Al Dhafra Beach Hotel.

As at 31 December 2018, the Group has an unamortised loan arrangement fee of AED 6.2 million (2017: AED 7.1 million) related to the new facility and is netted off from the loan balance.

There have been no defaults or breach of loan covenants during the year.

Reconciliation of term loan movement to the cash flows arising from financing activities is as follows:

	2018 AED	2017 AED
At 1 January	**286,590,537**	302,544,096
Cash flows		
Loan drawdown	**37,071,559**	13,812,126
Loan repaid	**(48,156,050)**	(30,656,050)
Other non-cash items		
Amortisation of transaction costs	**890,366**	890,365
At 31 December	**276,396,412**	286,590,537

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

14 Provision for employees' end of service benefit

	2018 AED	2017 AED
At 1 January	**36,363,657**	35,246,646
Charge for the year	**9,608,465**	9,019,474
Payments during the year	**(7,877,017)**	(7,902,463)
Derecognised upon disposal of subsidiary (note 25)	**(35,280)**	-
At 31 December	**38,059,825**	36,363,657

15 Trade and other payables

	2018 AED	2017 AED
Trade and other payables	**129,451,612**	106,301,273
Accrued liabilities	**38,917,009**	47,130,529
Due to related parties (Note 16)	**12,543,434**	12,297,255
Advances from customers	**3,274,270**	3,768,094
Value-added-tax payable	**3,250,812**	-
Interest payable	**1,502,084**	4,324,301
Retentions payable	**576,213**	3,004,670
	189,515,434	176,826,122

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of six months.

16 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

Terms and conditions of transactions with related parties

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

16 Related parties (continued)

Balances with these related parties generally arise from commercial transactions in the normal course of business on arm's length basis. Balances with related parties reflected in the consolidated statement of financial position at the reporting date comprised:

	Related party relationship	**2018 AED**	2017 AED
Due from a related party (note 9)			
National Transportation Company LLC (NTC)	Joint Venture	**100,283**	1,039,812
Due to related parties (note 15)			
National Transportation Company LLC (NTC)	Joint Venture	**543,434**	297,255
Velocity Property Development LLC	Joint Venture	**12,000,000**	12,000,000
		12,543,434	12,297,255

Significant transactions with related parties are as follows:

	2018 AED	2017 AED
Directors' remuneration paid (note 21)	**5,947,332**	12,612,057
Expenses paid on behalf of a shareholder	**3,147,183**	290,894
Rental income	**280,936**	283,364
Other expenses charged to NTC	**2,603,451**	1,808,286
Payments received from a shareholder	**2,983,282**	384,248
Management fee income from managed hotels	**6,647,581**	7,423,921
Key management personnel compensation		
Short term benefits	**10,035,625**	12,678,744
Post-employment benefits	**860,762**	670,376
	10,896,387	13,349,120

There were no loans provided to directors for the year ended 31 December 2018 and 2017.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

17 General and administrative expenses

	2018 AED	2017 AED
Payroll and employee related costs	**21,952,669**	21,335,735
Depreciation (note 5)	**2,228,304**	1,989,266
Other operating expenses	**5,277,747**	5,900,173
	29,458,720	29,225,174

The Group has made social contribution to the following beneficiaries:

	2018 AED	2017 AED
Sandooq al Wattan	-	1,000,000
Al Tareq Rehabilitation and Autism Centre LLC	**10,000**	10,000
Event sponsorship for Shaikha Latifa Award for Childhood Creativity	**10,000**	-
	20,000	1,010,000

The contributions do not exceed 2% of the average net profit of the Group during the two financial year ends preceding the year of contribution.

18 Investment and other income, net

	2018 AED	2017 AED
Management fees	**6,647,581**	7,423,921
Gain on sale of financial asset at fair value through profit or loss	**1,137,500**	-
(Loss)/gain on sale of property and equipment	**(1,883,719)**	832,169
Gain on transfer of property and equipment to a joint Venture	-	2,190,283
Other income	**1,415,883**	2,267,962
	7,317,245	12,714,335

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

19 Basic and diluted earnings per share

	2018 AED	2017 AED
Profit for the year	**100,503,376**	103,881,467
Weighted average number of share in issue	**748,440,000**	748,440,000
Basic and diluted earnings per share	**0.13**	0.14

As at 31 December 2018 and 2017, the Corporation has not issued any instrument which would have dilutive impact on earnings per share when converted or exercised and accordingly, diluted earnings per share is equal to basic earnings per share.

20 Bonus shares

In March 2018, issuance of AED 68.04 million bonus shares were proposed by the Board of Directors. Issuance of these shares was approved in the Annual General Meeting (AGM) held on 19 April 2018 (2017: AED 113.4 million bonus shares were approved in the AGM held on 24 April 2017).

21 Board of Directors remuneration

For the year ended 31 December 2017, the remuneration of the Board of Directors amounting to AED 5.9 million was approved in the Annual General Meeting (AGM) held on 19 April 2018 (2017: remuneration of the Board of Directors for the year ended 31 December 2016 amounting to AED 12.6 million was approved in the AGM held on 24 April 2017).

22 Segment information

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive Officer (the Chief Operating Decision Maker (CODM)) for the purposes of resource allocation and assessment of segment performance is focused on nature of products or services provided. The primary segment reporting format is determined to be operating segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit that offers different products and serves different markets.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

22 Segment information (continued)

Operating segments

For management purposes, the Group is currently organised into four major operating segments. These segments are the basis on which the Group reports its primary segmental information. These are:

- Hotels – Providing room and food and beverages services to customers;
- Retail services – Providing beverage sales services to customers;
- Catering services – Providing catering services on a contract basis; and
- Holding – responsible for managing investments held by the Corporation, development and management of hotels and general coordination of the Corporation's activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance management. Segment performance is measured based on profit or loss. The Group has only one geographical segment – United Arab Emirates.

Information regarding these segments is presented below.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

22 Segment information (continued)

31 December 2018	Hotels AED	Retail services AED	Catering services AED	Holding AED	Eliminations AED	Total AED
Revenue	209,577,177	88,060,534	416,296,392	6,067,963	(10,675,062)	709,327,004
Direct operating expenses	(189,244,494)	(63,329,682)	(352,287,103)	(5,820,947)	19,384,372	(591,297,854)
Gross profit	20,332,683	24,730,852	64,009,289	247,016	8,709,310	118,029,150
General and administrative expenses	-	-	-	(29,458,720)	-	(29,458,720)
Share of results of joint ventures	-	-	-	2,341,836	-	2,341,836
Investment and other income*	-	-	(1,883,719)	17,910,274	(8,709,310)	7,317,245
Interest income	-	-	-	13,105,358	-	13,105,358
Finance costs	-	-	-	(10,981,493)	-	(10,981,493)
Gain on sale of subsidiary	-	-	-	150,000	-	150,000
Profit for the year	20,332,683	24,730,852	62,125,570	(6,685,729)	-	100,503,376
At 31 December 2018						
Total assets	1,111,947,932	25,728,642	171,189,550	1,030,248,000	(130,101,395)	2,209,012,729
Total liabilities	53,185,444	15,821,820	127,528,027	381,668,636	(74,232,256)	503,971,671

* Investment and other income include management fee income from Owned Hotels amounting to AED 3.9 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 6.7 million.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

22 Segment information (continued)

31 December 2017	Hotels AED	Retail services AED	Catering services AED	Holding AED	Eliminations AED	Total AED
Revenue	224,502,576	100,080,362	409,598,226	4,504,266	(10,786,136)	727,899,294
Direct operating expenses	(194,950,390)	(67,411,029)	(358,863,523)	(4,086,482)	20,096,221	(605,215,203)
Gross profit	29,552,186	32,669,333	50,734,703	417,784	9,310,085	122,684,091
General and administrative expenses	-	-	-	(29,225,174)	-	(29,225,174)
Share of profit from joint venture	-	-	-	1,729,720	-	1,729,720
Investment and other income*	-	-	832,169	21,192,251	(9,310,085)	12,714,335
Interest income	-	-	-	8,533,553	-	8,533,553
Finance costs	-	-	-	(12,555,058)	-	(12,555,058)
Profit for the year	29,552,186	32,669,333	51,566,872	(9,906,924)	-	103,881,467
At 31 December 2017						
Total assets	1,134,131,446	26,615,419	152,875,660	914,910,945	(112,312,599)	2,116,220,871
Total liabilities	54,241,553	13,090,909	111,566,836	371,040,685	(50,159,667)	499,780,316

* Investment and other income include management fee income from Owned Hotels amounting to AED 4.3 million, which was eliminated in the consolidation process. Investment and other income from managed hotels amounted to AED 7.4 million.

All the income and expenses relating to operations of the Group is generated in UAE and denominated in UAE Dirham.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

22 Segment information (continued)

Timing of revenue recognition

31 December 2018	Hotels AED	Retail services AED	Catering services AED	Holding AED	Elimination AED	Total AED
Timing of revenue recognition						
At a point in time	**111,036,378**	**88,060,534**	**416,296,392**	**6,067,963**	**(10,675,062)**	**610,786,205**
Over time	**98,540,799**	-	-	-	-	**98,540,799**
Revenue	**209,577,177**	**88,060,534**	**416,296,392**	**6,067,963**	**(10,675,062)**	**709,327,004**
31 December 2017						
Timing of revenue recognition						
At a point in time	116,974,804	100,080,362	409,598,226	4,504,266	(10,786,136)	620,371,522
Over time	107,527,772	-	-	-	-	107,527,772
Revenue	224,502,576	100,080,362	409,598,226	4,504,266	(10,786,136)	727,899,294

23 Contingencies and commitments

Contingencies

Bank guarantees

At 31 December 2018, the Group had outstanding contingent liabilities in respect of letters of guarantee of AED 84.4 million (2017: AED 79.8 million).

Legal cases

The Group is a defendant in an arbitration case before the Abu Dhabi Commercial Conciliation & Arbitration Center filed by Millennium & Copthorne Middle East Holdings Limited. Based on the agreed procedural order, the arbitration case is expected to conclude in June 2019. Management believes that there is a reasonable ground for a favourable decision for the Corporation and that the arbitration matter is likely to be dismissed as it is not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the arbitration case against the Corporation. Therefore, no provision has been made in the consolidated financial statement in this regard.

23 Contingencies and commitments (continued)

Contingencies (continued)

Legal cases (continued)

The Group is also defendant in labour related legal proceedings which arose in the normal course of business. The Group does not expect that the outcome of such proceedings will have a material impact on the Group's operations, cash flows or financial position.

Capital commitments

At 31 December 2018, the Group had estimated commitments for the Grand Marina Hotel, Saadiyat Hotel, and Al Dhafra Beach Hotel renovation of AED 237.1 million (2017: AED 27.3 million).

Non-cancellable operating leases

The Group as lessee

The Group leases accommodation for its staff under non-cancellable operating lease expiring within three years. On renewal, the term of the lease is renegotiated. Commitment for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 AED	2017 AED
Within one year	**17,148,805**	10,507,383
Later than one year but not more than 5 years	**2,067,502**	2,503,575
	19,216,307	13,010,958

The Group as lessor

At the reporting date, the Group had contracted with tenants for the following future minimum lease payments:

	2018 AED	2017 AED
Within one year	**4,478,399**	-
Later than one year but not more than 5 years	**4,986,608**	-
	9,465,007	-

24 Financial instruments

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2018 and 2017.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk, foreign currency risk and price risk. The Group has not framed formal risk management policies, however, the risks are monitored by management on a continual basis. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Key areas where the Group is exposed to credit risk are trade and other receivables and bank and cash balances (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 9. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its trade customers

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

24 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The table below summarises the maturity profile of the Group's non-derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the non-derivative financial liabilities at the end of reporting period based on contractual repayment arrangements are as follows:

	On demand AED	Less than 6 months AED	6 to 12 months AED	1 to 5 years AED	More than 5 years AED	Total AED
At 31 December 2018						
Term loans	**17,500,000**	**11,466,560**	**28,966,560**	**153,732,480**	**70,963,377**	**282,628,977**
Trade and other payables	**-**	**185,664,951**	**576,213**	**-**	**-**	**186,241,164**
Total	**17,500,000**	**197,131,511**	**29,542,773**	**153,732,480**	**70,963,377**	**468,870,141**
At 31 December 2017						
Term loans	35,000,000	6,578,025	24,078,025	182,011,227	46,046,191	293,713,468
Trade and other payables	-	170,053,358	3,004,670	-	-	173,058,028
Total	35,000,000	176,631,383	27,082,695	182,011,227	46,046,191	466,771,496

Foreign currency risk

The Group's transactions are principally in UAE Dirhams or US Dollars, to which the UAE Dirham is pegged and therefore the Group does not face any foreign currency risks.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its term deposits and bank borrowings that carry both fixed and floating interest rates which are detailed in notes 10 and 13.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates mainly arising from bank borrowings, assuming the amount of liability at the end of the reporting period was outstanding for the whole year.

At 31 December 2018, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 0.21 million (2017: AED 0.18 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group's borrowings are denominated in UAE Dirhams.

24 Financial instruments (continued)

Fair value of financial instruments

The Group's management considers that the carrying amount of financial assets and financial liabilities approximates their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – fair value measurements are those derived from inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- **Level 3** – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25 Disposal of a subsidiary

During the year, the Corporation disposed of its entire 100% equity stake in a Subsidiary (Skyline Travel and Tourism) to an unrelated party for AED 150,000.

Analysis of assets and liabilities over which control was lost

	2018 AED
Non-current assets	
Property and equipment	**725,559**
Current assets	
Trade and other receivables	**4,335,538**
Cash and cash equivalents	**333,870**
Non-current liabilities	
Provision for employees' end of service benefits	**(35,280)**
Current liabilities	
Trade and other payables	**(5,614,515)**
Net assets disposed of	**(254,828)**

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

25 Disposal of a subsidiary (continued)

Gain on disposal of subsidiary

	2018 **AED**
Consideration receivable	**150,000**
Net assets disposed off	**254,828**
Other liabilities	**(254,828)**
Gain on disposal	**150,000**

Net cash outflow on disposal of a subsidiary

	2018 **AED**
Cash and cash equivalent balances disposed of	**333,870**

26 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 17 March 2019.