NATIONAL CORPORATION FOR TOURISM AND HOTELS

Reports and consolidated financial Statements for the year ended 31 December 2019

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

NCT&H

To All Esteemed Shareholders

Dear Sirs,

On behalf of the members of the Board of Directors, it is my honor to express my deep thanks and appreciation to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and to H.H. Lt. Gen. 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 the Corporation for the year 2019, the total revenues of the Corporation amounted to Dhs. 767.5 Million compared to Dhs. 709.3 Million in the past year 2018, showing an increase of Dhs. 58.2 Million or 8.2%, due to a significant increase in revenues from Catering Division by Dhs. 82.6 Million from last year or 19.8%. However, this increase was dampened by the decline in revenues from last year for both Hotel and Retail Divisions at Dhs. 12.2 Million or 5.8% and Dhs. 7.4 Million or 8.4% respectively.

Net profit for the year 2019 was Dhs. 110.6 Million, an increase of Dhs. 10.1 Million or 10.1% from Dhs. 100.5 Million of 2018. The increase was boosted by a decrease in payroll costs by Dhs. 5.2 Million in A&G and Direct costs, along with an increase in interest income by Dhs. 1.8 Million or 13.4% as well as a rise in profits for Catering for Dhs. 11.1 Million or 17.8% from last year and for Hotel Operations by Dhs. 2.1 Million or 10.3% from last year. This was, however, offset by a decreased profitability in Retail Division by Dhs. 6.5 Million or 26.4% from last year.

The year 2019 was still a challenging year for the hotels industry in the UAE, we expect that this will continue in the coming three years, until the market adapts. It

المؤسسة الوطنية للسياحة والفنادق
National Corporation for Tourism and Hotels

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is very clear that the development of big number of five-star hotels in short period of time, cannot be absorbed by any market anywhere, it needs a longer period of time.

With regards to the performance of the Retail Division, the Abu Dhabi market for retail sales has been seeing a constant increase in competition. The fees imposed in 2018 in Abu Dhabi for retail sales continue to discourage normal consumer spending in 2019.

The performance of the Catering Division for the year 2019 was better compared to last year, however, remain behind our fair market share. The Corporation believes that this sector is a continuously growing industry that is open for opportunities. Hence, the Corporation's direction is to keep on penetrating new markets and continually increase the market share.

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

Despite the challenges of the world economy, even after having made Dhs. 50.9 Million in scheduled term loan and interest payments, dividend payments of Dhs. 74.844 Million in October 2019, in addition to its equity in the projects under process amounting to Dhs. 30 Million the Corporation has continued to maintain good cash liquidity and deposits amounting Dhs. 455.3 Million compared to Dhs. 496.2 Million of 2018, for which the deposits of the Corporation have contributed to Dhs. 14.9 Million in interest income in 2019 compared to last year's interest income of Dhs. 13.1

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Million. The Corporation's liquidity continues to support its position to achieve its projects' development.

The ongoing Hotel and Hotel Apartments projects under the brand name Grand Marina Intercontinental of which the construction is now in full gear with above ground works progressing well and steadily with the building structure works expected to be completed by April 2020. The refurbishment of Dhafra Beach Hotel 200 rooms is also expected to be completed within the year. The residential apartment building project in ADNEC is ongoing and is expected to be completed by 2021. These projects will strengthen the Corporation's position in the Abu Dhabi hotel residence market and will provide additional revenues to the Corporation and allow the Corporation to remain competitive. From the Corporation strategic point of view, the current market climate appears to be a favorable time to look for possible opportunities from selected available properties to invest in that may provide long term benefit for the Corporation.

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 the Management and Employees of the Corporation for their efforts.

Thanks & regards,

Hamdan Bin Mubarak Al Nahyan
Chairman of the Board

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National Corporation for Tourism and Hotels

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019 and the consolidated statements of 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 2019, 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.

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.

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.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Revenue recognition	
The Group reported a revenue of AED 767 million (2018: AED 709 million). Revenue is generated through hotel operations, catering services and retail sales. Revenue recognition is assessed as a key audit matter due to the magnitude of the amount, the number of different revenue streams for example room revenue, food and beverage revenue, catering and support service revenue and retail revenue, the number of decentralised operational locations, the degree of complexity of IT systems and processes used, many of which require manual processes to transfer data to the central finance IT systems which increases the risk of errors and omissions while processing and recording the revenue transactions. Such errors could arise due to under or over recording of outputs from these application systems and interfaces between front office point of sales terminals and the central finance IT systems. Although the low value of individual transactions mean an individual error would be both difficult to detect and insignificant, the high volume of transactions mean systemic failure could lead to errors that aggregate into material balances. For more information related to revenue, refer to note 22 in the consolidated financial statements.	Our audit procedures included the following: Obtaining an understanding of the significant revenue processed including performance of end to end walkthroughs of the revenue processes. The assessment of the design and implementation and operating effectiveness of key controls related to the revenue processes. We involved our IT specialists to test information technology general controls, information produced by the entities' IT systems surrounding hotel and retail revenue processes. We assessed the accounting policies for each revenue stream to determine if they were in compliance with IFRSs. We also performed the following substantive audit procedures: • substantive analytical procedures on significant revenue streams disaggregated to outlets and customers as applicable and periodic movement and trend analysis • specific procedures to test the accuracy and completeness of revenue. We assessed the disclosure in the consolidated financial statements relating to revenue against the requirements of IFRSs.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (CONTINUED)

Other Information (continued)

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 TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (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 TO THE SHAREHOLDERS OF NATIONAL CORPORATION FOR TOURISM AND HOTELS (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 Report of the Chairman is consistent with the books of account and records of the Group;
- The Group has not purchased or invested in shares during the financial year ended 31 December 2019;
- 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 2019 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 2019.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
16 February 2020
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Property and equipment	5	1,338,923,032	1,270,049,368
Investment in joint ventures	6	244,973,780	244,193,443
Total non-current assets		1,583,896,812	1,514,242,811
Current assets			
Inventories	7	25,226,991	20,932,176
Trade and other receivables	8	185,035,562	177,656,853
Short term deposits	9	338,777,682	384,557,972
Cash and cash equivalent	9	116,491,313	111,622,917
Total current assets		665,531,548	694,769,918
Total assets		2,249,428,360	2,209,012,729
EQUITY AND LIABILITIES			
Equity			
Share capital	10	785,862,000	748,440,000
Statutory reserve	11	169,219,827	158,157,546
General reserve	11	15,000,000	15,000,000
Properties revaluation reserve	11	740,673,589	740,673,589
Retained earnings		21,019,151	42,769,923
Investments revaluation reserve	11	-	-
Total equity		1,731,774,567	1,705,041,058
Non-current liabilities			
Term loans	12	102,427,190	218,463,292
Provision for employees' end of service benefits	13	42,842,095	38,059,825
Total non-current liabilities		145,269,285	256,523,117
Current liabilities			
Trade and other payables	15	195,664,180	189,515,434
Term loans	12	176,334,557	57,933,120
Lease Liability	14	385,771	-
Total current liabilities		372,384,508	247,448,554
Total liabilities		517,653,793	503,971,671
Total equity and liabilities		2,249,428,360	2,209,012,729

Chairman   Chief Executive Officer   Finance Director

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 2019

	Notes	2019 AED	2018 AED
Revenue	22	**767,479,547**	709,327,004
Direct operating expenses	22	**(646,912,204)**	(591,297,854)
Gross profit		**120,567,343**	118,029,150
General and administrative expenses	17	**(25,674,724)**	(29,458,720)
Share of results of joint ventures	6	**2,780,337**	2,341,836
Investment and other income, net	18	**9,097,388**	7,317,245
Interest income		**14,857,785**	13,105,358
Finance costs		**(11,005,316)**	(10,981,493)
Gain on disposal of a subsidiary	25	-	150,000
Profit for the year		**110,622,813**	100,503,376
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**110,622,813**	100,503,376
Basic and diluted earnings per share	19	**0.14**	0.13

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

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

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Properties revaluation reserve AED	Retained Earnings AED	Total equity AED
Balance at 1 January 2018	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	-	-	-	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
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)	-
Balance at 1 January 2019	748,440,000	158,157,546	15,000,000	-	740,673,589	42,769,923	1,705,041,058
Total comprehensive income for the year	-	-	-	-	-	110,622,813	110,622,813
Cash dividend (note 20)	-	-	-	-	-	(74,844,000)	(74,844,000)
Bonus shares (note 20)	37,422,000	-	-	-	-	(37,422,000)	-
Directors' remuneration paid (note 21)	-	-	-	-	-	(9,045,304)	(9,045,304)
Transfer to statutory reserve	-	11,062,281	-	-	-	(11,062,281)	-
At 31 December 2019	**785,862,000**	**169,219,827**	**15,000,000**	-	**740,673,589**	**21,019,151**	**1,731,774,567**

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

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

	2019 AED	2018 AED
Cash flows from operating activities		
Profit for the year	**110,622,813**	100,503,376
Adjustments for:		
Depreciation of property and equipment	**35,907,482**	34,713,288
Share of results of joint ventures	**(2,780,337)**	(2,341,836)
Gain on disposal of financial assets at FVTPL	-	(1,137,500)
Provision for employees' end of service benefits	**9,967,446**	9,608,465
(Gain)/ loss on disposal of property and equipment	**(1,214,177)**	1,883,719
Provision for impairment on trade receivables, net	**(191,420)**	901,000
Gain on disposal of a subsidiary	-	(150,000)
Interest income	**(14,857,785)**	(13,105,358)
Finance costs	**11,005,316**	10,981,493
Operating cash flows before movements in working capital	**148,459,338**	141,856,647
Increase in inventories	**(4,294,815)**	(2,032,259)
Increase in trade and other receivables	**(4,193,163)**	(52,460,861)
Increase in trade and other payables	**1,042,820**	20,871,217
Cash from operations	**141,014,180**	108,234,744
Employees' end of service benefits paid	**(5,185,176)**	(7,877,017)
Net cash generated from operating activities	**135,829,004**	100,357,727
Cash flows from investing activities		
Upliftment of deposits with original maturity of more than three months	**514,708,500**	541,121,445
Placement of deposits with original maturity of more than three months	**(468,928,210)**	(637,108,973)
Purchase of property and equipment	**(97,644,828)**	(22,737,772)
Proceeds from disposal of property and equipment	**1,901,303**	1,287,369
Interest received	**11,566,892**	11,352,097
Dividend received from Joint Venture	**2,000,000**	-
Proceeds from disposal of investments	-	11,387,500
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	**(36,396,343)**	(95,082,204)
Cash flows from financing activities		
Repayments of term loans	**(40,433,119)**	(48,156,050)
Proceeds from term loans	**41,908,088**	37,071,559
Dividends paid	**(74,844,000)**	-
Finance costs paid	**(10,436,330)**	(12,913,345)
Directors' remuneration paid	**(9,045,304)**	(5,947,332)
Lease principal paid	**(1,668,496)**	-
Interest paid on lease liabilities	**(45,104)**	-
Net cash used in financing activities	**(94,564,265)**	(29,945,168)
Net increase/(decrease) in cash and cash equivalents	**4,868,396**	(24,669,645)
Cash and cash equivalents at beginning of the year	**111,622,917**	136,292,562
Cash and cash equivalents at end of the year (note 9)	**116,491,313**	111,622,917

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

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

1 General information

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 in the following entities:

Name	Nature	Country of operation	Principal activity	Ownership Interest 2019	2018
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 2019.

2 Adoption of new and revised Standards

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

Impact of initial application of IFRS 16 *Leases*

In the current year, the Group, for the first time, has adopted IFRS 16 *Leases* (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

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

2 Adoption of new and revised Standards (continued)

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

Impact of initial application of IFRS 16 *Leases (continued)*

The date of initial application of IFRS 16 for the Group is January 1, 2019.

The Group has opted for the simplified modified approach as permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets has been measured at the amount of lease liability, using the interest rate at the time of first time application.

Impact of the new definition of a lease

The Group has made 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 be applied to leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is contrast to the focus on 'risks and rewords' in IAS 17 and IFRIC 4. The Group applies 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. In preparation for the first-time application of IFRS 16, the Group performed an assessment which shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

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

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and
c) separates the total amount of cash paid into a principal portion and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are 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 incentive liability, amortised as a reduction of rental expense on a straight-line basis. However, there are no any lease incentives applicable for the Group.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces 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 has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within direct operating expenses and general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

2 Adoption of new and revised Standards (continued)

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

Impact of initial application of IFRS 16 *Leases* (continued)

Impact on Lessee Accounting (continued)

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a 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. This change did not have a material effect on the Group's consolidated financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

Group as a lessee

The tables below show the amount of adjustment for each consolidated financial statement line item affected by the application of IFRS 16.

Impact on consolidated statement of profit or loss and other comprehensive income

	31 December 2019 AED
Increase in depreciation and amortisation expense	1,661,977
Increase in finance costs	68,690
Decrease in other expenses	(1,708,902)
Increase in profit for the year	21,765

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

2 Adoption of new and revised Standards (continued)

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

Impact of initial application of IFRS 16 *Leases* (continued)

Financial impact of initial application of IFRS 16 (continued)

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognised lease liabilities as of 1 January 2019.

	AED
Operating lease commitments disclosed as of 31 December 2018	**19,216,307**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**19,179,485**
Less: short term leases recognised on a straight line basis as expense	**(17,148,805)**
Lease liability recognised as at 1 January 2019	**2,030,680**
Of which are:	
Current lease liabilities	**1,668,496**
Non-current lease liabilities	**362,184**
	2,030,680

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right of use of assets relate to the following types of assets:

	31 December 2019 AED	1 January 2019 AED
Building	**665,471**	2,327,448

There is no impact on retained earnings as of 1 January 2019 of the adoption of IFRS 16 as Group has opted to use simplified modified approach and practical expedient available on transition to IFRS 16.

There are no additions during the year for right-of-use assets.

2 Adoption of new and revised Standards (continued)

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

<u>Impact of initial application of IFRS 16 *Leases* (continued)</u>

Financial impact of initial application of IFRS 16 (continued)

Group as a lessee (continued)

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition right-of-use assets and leases liabilities. It resulted in a decrease in direct operating expenses and general and administrative expenses and an increase in depreciation expense and in finance cost.

The application of IFRS 16 has an impact on the consolidated statement cash flows of the Group. Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of lease liability as financing activities, as permitted by IAS 7 ; and
- Cash payments for the principal portion for leases liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by AED 1,713,600 and net cash used in financing activities increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

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

2 Adoption of new and revised Standards (continued)

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities* The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs* The *Annual Improvements* include amendments to four Standards. IAS 12 *Income Taxes* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019

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

2 Adoption of new and revised Standards (continued)

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs* (continued) IAS 23 *Borrowing costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019

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

2 Adoption of new and revised Standards (continued)

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2019
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related 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.	

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

2 Adoption of new and revised Standards (continued)

2.3 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.	
Amendments to IAS 1 *Presentation of Financial Statements*: related to classification of liabilities as current or non-current (issued on 23 January 2020)	1 January 2020
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3 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.

3 Summary of significant accounting policies (continued)

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.

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.

3 Summary of significant accounting policies (continued)

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 and other comprehensive income.

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 and other comprehensive income.

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 and 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.

3 Summary of significant accounting policies (continued)

Investment in joint ventures (continued)

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.

The consolidated statement of profit or loss and other comprehensive 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.

3 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For items that are not sold separately the Group estimates standalone selling prices using other methods (i.e. adjusted market assessment approach, cost plus margin approach or residual approach).

Contract assets and liabilities
The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

The Group recognises revenue from the following major sources:

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

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.

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 yearend, 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 consolidated statement of profit or loss and other comprehensive income.

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 consolidated statement of profit or loss and other comprehensive income 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.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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.

Leases

Accounting policy applicable from 1 January 2019

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of Corporation's building units.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3 Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable from 1 January 2019 (continued)

The Group as lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3 Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable from 1 January 2019 (continued)

The Group as lessee (continued)

The right-of-use of assets are presented under the property and equipment in the consolidated statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the property and equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the lines of 'direct operating expenses' and 'general and administrative expenses' in the consolidated statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

Accounting policy applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the *Group* 's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

3 Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable from before 1 January 2019

The Group as lessee (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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.

3 Summary of significant accounting policies (continued)

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 and other comprehensive income.

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.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and liabilities (continued)

Business model assessment (continued)

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.

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 and other comprehensive income.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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 profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated profit or loss and other comprehensive income.

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 profit or loss and other comprehensive income.

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 consolidated profit or loss and other comprehensive income 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.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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 profit or loss and other comprehensive income.

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 recognised 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.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Derecognition (continued)

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 specifies the 'incurred loss' model 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.

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).

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

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.

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 of profit or loss and other comprehensive income.

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.

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.

If the ECL rates on each past due time bucket had been 0.5% higher (lower) as of December 2019, the loss allowance on trade receivables would have been changed as follows:

	2019 AED
Due for 1 to 30 days	**224,208**
Due for 31 to 60 days	**53,718**
Due for 61 to 90 days	**23,197**
Due for 91 to 120 days	**15,114**
Due for more than 120 days	**102,455**

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.

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

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

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.

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 and other comprehensive income. Management is satisfied that no impairment provision is necessary on its investments in joint ventures.

Notes to the consolidated financial statements for the year ended 31 December 2019 (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 2018	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 1 January 2019	831,800,000	619,217,023	151,148,555	292,110,241	27,093,243	70,662,449	1,992,031,511
Right to use asset recognised	-	2,327,448	-	-	-	-	2,327,448
Additions	-	883,644	33,667	12,551,373	2,558,200	87,113,941	103,140,825
Disposals	-	(650,000)	-	(2,047,194)	(7,719,000)	-	(10,416,194)
Transfers	-	1,244,262	304,935	61,680	-	(1,610,877)	-
At 31 December 2019	**831,800,000**	**623,022,377**	**151,487,157**	**302,676,100**	**21,932,443**	**156,165,513**	**2,087,083,590**

Notes to the consolidated financial statements for the year ended 31 December 2019 (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 2018	-	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 1 January 2019	-	352,641,895	111,806,625	235,368,234	22,165,389	-	721,982,143
Charge for the year	-	14,506,377	5,351,127	13,712,690	2,337,288	-	35,907,482
Disposals	-	(346,664)	-	(2,047,194)	(7,335,209)	-	(9,729,067)
At 31 December 2019	-	**366,801,608**	**117,157,752**	**247,033,730**	**17,167,468**	-	**748,160,558**
Carrying amount							
At 31 December 2019	**831,800,000**	**256,220,769**	**34,329,405**	**55,642,370**	**4,764,975**	**156,165,513**	**1,338,923,032**
At 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

On application of IFRS 16 with effect from 1 January 2019, the Group recognised a right to use asset on leased out staff accommodation amounted to AED 2,327,448. The amortisation charge for the year for this right to use asset amounted to AED 1,661,977 and net carrying value as of 31 December 2019 is AED 665,471. This has been classified under the buildings at cost.

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

5 Property and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 AED	2018 AED
Direct operating expenses	**33,750,306**	32,484,984
General and administrative expenses (note 17)	**2,157,176**	2,228,304
	35,907,482	34,713,288

Revaluation of land

Included in property and equipment, land is stated at AED 831.8 million as at 31 December 2019 (2018: AED 831.8 million) of revaluation amount as per the Group's accounting policy of accounting the land based on revaluation model.

If land was measured using the cost model, the carrying amount of land would be AED 91.1 million as at 31 December 2019 (2018: 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 2019 total capital work in progress is 156.2 million (2018: 70.7 million), out of that AED 130.9 million (2018: AED 55.1 million) relates to a hotel project which has been ongoing since 2007 - Intercontinental Hotel - Grand Marina project. In 2018, Corporation appointed the main contractor for the said project and accordingly, the work on the project is currently in progress.

During the year, borrowing costs amounting to AED 4,545,567 (2018: AED 1,962,537) have been capitalised.

Term loans are secured with mortgage over land and building with carrying value of AED 756.7 million (2018: AED 763.3 million) (note 12).

6 Investment in joint ventures

	2019 AED	2018 AED
National Transport Company (a)	**17,695,683**	16,915,346
Velocity Property Development LLC (b)	**227,278,097**	227,278,097
	244,973,780	244,193,443

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.

(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:

	2019 AED	2018 AED
At 1 January	**16,915,346**	14,523,510
Additional contribution	-	50,000
Share of results for the year	**2,780,337**	2,341,836
Dividends received	**(2,000,000)**	-
At 31 December	**17,695,683**	16,915,346

Summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs:

	2019 AED	2018 AED
Revenue	**35,527,318**	41,197,099
Cost of sales	**(28,935,553)**	(34,136,433)
Administrative expenses	**(2,514,493)**	(2,587,758)
Other income	**2,009,205**	1,185,747
Finance costs	**(525,804)**	(974,984)
Profit for the year	**5,560,673**	4,683,671
Group's share of results for the year	**2,780,337**	2,341,836

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

6 Investment in joint ventures (continued)

(a) National Transport Company (continued)

	2019 AED	2018 AED
Property and equipment	**29,570,619**	31,443,701
Accounts receivables and prepayments	**13,399,677**	17,412,017
Cash and bank balances	**6,066,164**	591,530
Accounts payable and accruals	**(10,933,495)**	(4,320,768)
Value added tax (payable)/receivable	**-**	(312,878)
Employees' end of service benefits	**(1,555,861)**	(1,978,657)
Term loans	**(1,155,738)**	(9,004,254)
Net assets	**35,391,366**	33,830,691
Group's share of net assets at 50%	**17,695,683**	16,915,346

(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 contributed 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.

As at 31 December 2019, the Joint Venture has not yet started its commercial operations.

7 Inventories

	2019 AED	2018 AED
Food and beverages	**23,013,064**	18,895,207
Engineering and operating supplies	**2,213,927**	2,036,969
	25,226,991	20,932,176

Inventories recognised as an expense during 2019 amounted to AED 256.20 million (2018: AED 202.44 million). These were included in direct operating expenses.

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

8 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	**127,580,588**	121,582,036
Less: allowance for impairement	**(23,421,511)**	(23,612,931)
	104,159,077	97,969,105
Prepayments and advances	**56,949,533**	59,623,496
Interest receivables	**8,538,713**	5,247,820
Value-added-tax receivable	**2,291,431**	3,582,054
Amounts due from a related party (note 16)	**29,645**	100,283
Other receivables	**13,067,163**	11,134,095
	185,035,562	177,656,853

Prepayments and advances include advance provided to contractor during the year amounting to AED 27.5 million (2018: 36.7 million) related to construction of Intercontinental Hotel - Grand Marina project (note 5).

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. During the year, Group has written off AED 1,239,840 (2018: AED Nil) out of its trade receivables.

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.

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

8 Trade and other receivables (continued)

	2019 AED	2018 AED
At 1 January	**23,612,931**	16,756,390
Adjustment upon application of IFRS 9	**-**	5,955,541
Remeasurement of loss allowance	**1,048,420**	901,000
Amounts written off	**(1,239,840)**	-
At 31 December	**23,421,511**	23,612,931

9 Cash and bank balances

Cash and cash equivalents are comprised of the following:

	2019 AED	2018 AED
Cash at bank and on hand	**116,491,313**	111,622,917
Short term deposits	**338,777,682**	384,557,972
	455,268,995	496,180,889
Less: short-term deposits with original maturity of more than three months	**(338,777,682)**	(384,557,972)
Cash and cash equivalents	**116,491,313**	111,622,917

Short-term deposits represents deposits held with financial institutions in the UAE and denominated in AED. These deposits carry an interest rate 3.9%-4.2% (2018: 3.9%) 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.

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

10 Share capital

	2019 AED	2018 AED
Authorised capital		
785,862,000 ordinary shares of AED 1 each (2018: 748,440,000 ordinary shares of AED 1 each)	**785,862,000**	748,440,000
Issued, subscribed and paid up capital		
Opening balance	**748,440,000**	680,400,000
37,422,000 bonus shares issued of AED 1 each (2018: 68,040,000 shares of AED 1 each)	**37,422,000**	68,040,000
At 31 December	**785,862,000**	748,440,000

During the year, the Group issued 37,422,000 (2018: 68,040,000) bonus shares to its existing shareholders on the basis of 5% of ordinary shares held (2018: 10% 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 2019 share capital was completed during September 2019 (2018: April 2018).

11 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 recognised 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.

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

12 Term loans

	2019 AED	2018 AED
Term loan 1	**52,500,000**	70,000,000
Term loan 2	**83,534,021**	45,519,102
Term loan 3	**-**	-
Term loan 4	**138,834,557**	160,877,310
Term loan 5	**3,893,169**	-
	278,761,747	276,396,412
Less: Amount due for settlement after 12 months from the end of reporting year (classified under non-current liabilities)	**(102,427,190)**	(218,463,292)
Amount due for settlement within 12 months from the end of reporting year (classified under current liabilities)	**176,334,557**	57,933,120

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 2019, one scheduled payment due in 2019 amounting to AED 17.5 million has not been settled.

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, Intercontinental Hotel - Grand Marina. Total drawdown as at 31 December 2019 amounted to AED 83.53 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 3.5% over 3-months EBOR, subject to a minimum interest rate of 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 136.5 million is available for this loan as at 31 December 2019.

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.

12 Term loans (continued)

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 2019. 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 2019. Total drawdown for both facilities as at 31 December 2019 amounted to AED 200 million. Total outstanding loan balance for both facilities as at 31 December 2019 amounted to AED 144.2 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.

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 2019, the Group has an unamortised loan arrangement fee of AED 5.3 million (2018: AED 6.2 million) related to the new facility and is netted off from the loan balance.

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

12 Term loans (continued)

Term loan 4 (continued)

As of 31 December 2019, the Group was in noncompliance of Term loan 4 of one of the covenants, which constituted an event of default as defined in the term facility agreement and the lenders may, by notice to the Group, declare that all or part of utilisations and accrued interest be immediately due and payable or payable on demand and enforce all or part of the security provided for the loan. Accordingly, entire outstanding amount on Term loan 4 is classified as current in the consolidated statement of financial position. The lenders did not request accelerated repayment of the facility as of the signing date.

Term loan 5

During 2019, the Corporation obtained a loan facility from a local bank amounting to AED 10 million. The loan will be utilised to for the renovation activities of Dhafra Beach Hotel. Total drawdown as of the reporting date amounted to AED 3.9 million. Repayment of the loan is due after 12 months from the date of initial utilisation. The loan carries interest at the rate of 3% over 3-months EBOR, subject to a minimum interest rate of 4.25% per annum. Interest is paid on a quarterly basis. The loan is to be repaid over 2 years by semi-annual installments. Additional drawdown of AED 6.11 million is available for this loan as at 31 December 2019.

The loan facility is secured by the same security as term loan 2 and all other related assignments.

Except as disclosed under the Term loan 4 above, 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:

	2019 AED	2018 AED
At 1 January	**276,396,412**	286,590,537
Cash flows		
Loan drawdown	**41,908,088**	37,071,559
Loan repaid	**(40,433,119)**	(48,156,050)
Other non-cash items		
Amortisation of transaction costs	**890,366**	890,366
At 31 December	**278,761,747**	276,396,412

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

13 Provision for employees' end of service benefits

	2019 AED	2018 AED
At 1 January	**38,059,825**	36,363,657
Charge for the year	**9,967,446**	9,608,465
Payments during the year	**(5,185,176)**	(7,877,017)
Derecognised upon disposal of subsidiary (note 25)	-	(35,280)
At 31 December	**42,842,095**	38,059,825

14 Lease Liability

The Group leases several buildings for staff accommodations. The average lease term is 1- 5 years (2018: 1- 5 years).

The movement in lease liability is as follows:

	Right to use asset AED	Lease liability AED
1 January 2019	**2,327,448**	**2,030,681**
Depreciation expense	**(1,661,977)**	-
Interest expense	-	**68,690**
Payments	-	**(1,713,600)**
At 31 December 2019	**665,471**	**385,771**

One of premises lease in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. During the year, the Group paid AED 560,000 as the lease payments for the said premises. Overall, the variable payments are not material to the Group's entire lease payments and Group expects this remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next 5 years, variable rent expense are expected to continue to present a similar proportion of store sales in future years.

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

15 Trade and other payables

	2019 AED	2018 AED
Trade and other payables	**146,662,925**	129,451,612
Accrued liabilities	**34,429,832**	38,917,009
Retentions payable	**6,488,014**	576,213
Value added tax payable	**3,617,081**	3,250,812
Advances from customers	**2,813,979**	3,274,270
Due to related parties (note 16)	**540,336**	12,543,434
Interest payable	**1,112,013**	1,502,084
	195,664,180	189,515,434

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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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.

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	2019 AED	2018 AED
Due from a related party (note 8)			
National Transportation Company LLC (NTC)	Joint Venture	**29,645**	100,283
Due to related parties (note 15)			
National Transportation Company LLC (NTC)	Joint Venture	**540,336**	543,434
Velocity Property Development LLC	Joint Venture	-	12,000,000
		540,336	12,543,434

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

16 Related parties

Significant transactions with related parties are as follows:

	2019 AED	2018 AED
Directors' remuneration paid (note 21)	**9,045,304**	5,947,332
Expenses paid on behalf of a shareholder	**596,906**	3,147,183
Rental income	**164,584**	280,936
Other expenses charged to NTC	**2,947,629**	2,603,451
Payments received from a shareholder	**727,469**	2,983,282
Management fee income from managed hotels	**6,723,759**	6,647,581
Amounts settled to Velocity Property Development LLC	**12,000,000**	-
Key management personnel compensation		
Short term benefits	**7,182,001**	10,035,625
Post-employment benefits	**380,684**	860,762
	7,562,685	10,896,387

There were no loans provided to directors for the year ended 31 December 2019 and 2018.

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

17 General and administrative expenses

	2019 AED	2018 AED
Payroll and employee related costs	**17,954,935**	21,952,669
Depreciation (note 5)	**2,157,176**	2,228,304
Other operating expenses	**5,562,613**	5,277,747
	25,674,724	29,458,720

The Group has made social contribution to the following beneficiaries:

	2019 AED	2018 AED
Donation for the Winter Program	**50,000**	-
Rashid Center for People of Determination	**47,500**	-
Specialist Center for Children with Disabilities	**20,000**	-
Emirates Women Police	**15,000**	-
Emirates Association of the Visually Impaired	**10,000**	-
Al Tareq Rehabilitation and Autism Centre LLC	-	**10,000**
Event sponsorship for Shaikha Latifa Award for Childhood Creativity	-	**10,000**
	142,500	**20,000**

The social 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

	2019 AED	2018 AED
Management fees	**6,723,758**	6,647,581
Gain/(loss)on sale of property and equipment	**1,214,177**	(1,883,719)
Other income	**1,159,453**	1,415,883
Gain on sale of financial asset at fair value through profit or loss	-	1,137,500
	9,097,388	7,317,245

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

19 Basic and diluted earnings per share

	2019 AED	2018 AED
Profit for the year	**110,622,813**	100,503,376
Weighted average number of share in issue	**785,862,000**	785,862,000
Basic and diluted earnings per share	**0.14**	0.13

As at 31 December 2019 and 2018, 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 Dividends and bonus shares

During the year, interim cash dividend of AED 0.10 per share amounted to AED 74.8 million were proposed, approved and paid. Also during the year, 37.4 million of bonus shares were approved and issued to the shareholders (2018: bonus shares of 68.04 million were approved and issued).

21 Board of Directors remuneration

For the year ended 31 December 2018, the remuneration of the Board of Directors amounting to AED 9.05 million was approved in the Annual General Meeting (AGM) held on 28 April 2019 (2018: remuneration of the Board of Directors for the year ended 31 December 2017 amounting to AED 5.9 million was approved in the AGM held on 19 April 2018).

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 2019 (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 2019 (continued)

22 Segment information (continued)

31 December 2019	Hotels AED	Retail services AED	Catering services AED	Holding AED	Eliminations AED	Total AED
Revenue	197,379,687	80,672,999	498,923,646	-	(9,496,785)	767,479,547
Direct operating expenses	(174,957,443)	(62,483,425)	(426,874,659)	-	17,403,323	(646,912,204)
Gross profit	22,422,244	18,189,574	72,048,987	-	7,906,538	120,567,343
General and administrative expenses	-	-	-	(25,674,724)	-	(25,674,724)
Share of results of joint ventures	-	-	-	2,780,337	-	2,780,337
Investment and other income*	-	-	1,155,623	15,848,303	(7,906,538)	9,097,388
Interest income	-	-	-	14,857,785	-	14,857,785
Finance costs	-	-	-	(11,005,316)	-	(11,005,316)
Profit for the year	22,422,244	18,189,574	73,204,610	(3,193,615)	-	110,622,813
At 31 December 2019						
Total assets	1,091,479,103	31,237,981	201,409,859	1,077,774,849	(152,473,432)	2,249,428,360
Total liabilities	49,795,440	16,358,630	148,443,988	377,209,974	(74,154,239)	517,653,793

* Investment and other income include management fee income from Owned Hotels amounting to AED 3.1 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 2019 (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.

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 2019 (continued)

22 Segment information (continued)

Timing of revenue recognition

31 December 2019	Hotels AED	Retail services AED	Catering services AED	Holding AED	Elimination AED	Total AED
Timing of revenue recognition						
At a point in time	**101,040,306**	**80,672,999**	**498,923,646**	-	**(9,496,785)**	**671,140,166**
Over time	**96,339,381**	-	-	-	-	**96,339,381**
Revenue	**197,379,687**	**80,672,999**	**498,923,646**	-	**(9,496,785)**	**767,479,547**
31 December 2018						
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

23 Contingencies and commitments

Contingencies

Bank guarantees

At 31 December 2019, the Group had outstanding contingent liabilities in respect of letters of guarantee of AED 65.92 million (2018: AED 84.4 million).

Capital commitments

At 31 December 2019, the Group had estimated commitments for the Grand Marina Hotel, Saadiyat Hotel, and Al Dhafra Beach Hotel renovation of AED 172.2 million (2018: AED 237.1 million).

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 2019 and 2018.

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity 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. 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 2019 (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 2019						
Term loans	**161,676,756**	-	**20,000,000**	**69,893,169**	**32,534,021**	**284,103,946**
Trade and other payables	-	**186,362,187**	**6,488,014**	-	-	**192,850,201**
Lease liability	-	**385,771**	-	-	-	**385,771**
Total	**161,676,756**	**186,747,958**	**26,488,014**	**69,893,169**	**32,534,021**	**477,339,918**
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

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

All lease obligations are denominated in AED.

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 9 and 12.

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 2019, 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 0.23 million (2018: AED 0.21 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.

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

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 2018, 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)**

26 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 FEB 2020.