Aurum (Cayman) Limited

Consolidated financial statements
for the year ended 31 December 2020

Aurum (Cayman) Limited

Consolidated financial statements for the year ended 31 December 2020

Independent auditor's report to the shareholders of Aurum (Cayman) Limited

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited
The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the shareholders of Aurum (Cayman) Limited (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

- 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.

Independent auditor's report to the shareholders of Aurum (Cayman) Limited (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

9 May 2021
Dubai, United Arab Emirates

Consolidated statement of financial position

	Note	As at 31 December 2020 AED	2019 AED
ASSETS			
Non-current assets			
Property and equipment	5	695,202,952	658,544,731
Right-of-use asset	6	2,973,220	6,124,189
Intangible assets	7	534,407,709	590,365,749
Trade and other receivables	10	46,030,183	72,997,070
		1,278,614,064	1,328,031,739
Current assets			
Development and trading properties	8	863,854,726	899,770,535
Due from related parties	9	9,461,794	7,033,653
Trade and other receivables	10	624,227,528	689,507,321
Cash and bank balances	11	300,395,484	360,585,610
		1,797,939,532	1,956,897,119
Total assets		3,076,553,596	3,284,928,858
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	176,556	175,332
Treasury share		6,944	8,168
Statutory reserve	12	400,000	400,000
Share based payment reserve	14	5,058,550	2,347,570
Revaluation reserve		245,200,349	202,556,476
Retained earnings		184,474,056	358,792,637
Total equity		435,316,455	564,280,183
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	15	19,213,137	24,887,661
Trade and other payables	17	396,386,243	359,246,459
Lease liabilities	18	1,116,551	1,312,458
Borrowings	19	21,963,063	28,443,775
Payable for acquisition of subsidiaries	21	383,020,535	337,663,755
Sukuk notes	20	471,703,806	443,874,110
		1,293,403,335	1,195,428,218
Current liabilities			
Advances from customers	16	490,372,553	645,695,145
Trade and other payables	17	848,575,263	871,976,744
Lease liabilities	18	1,466,239	4,851,731
Borrowings	19	6,506,292	1,994,465
Due to related parties	9	913,459	702,372
		1,347,833,806	1,525,220,457
Total liabilities		2,641,237,141	2,720,648,675
Total equity and liabilities		3,076,553,596	3,284,928,858

These consolidated financial statements were approved by the board of directors on 9 May 2021 and signed on their behalf by:

....

Amer Jabr
Senior Director of Finance

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2020 AED	2019 AED
Income			
Revenue	22	687,837,902	1,004,738,516
Other income	23	48,598,589	63,399,328
Total income		736,436,491	1,068,137,844
Expenses			
Direct cost	24	(350,922,113)	(485,819,052)
Operating expenses	25	(315,655,899)	(505,809,379)
Impairment of property and equipment and intangible assets	5,7	(34,992,967)	(137,087,613)
Loss allowance on trade and unbilled receivables	10	(68,889,562)	(12,771,468)
Share based compensation expense	14	(2,710,980)	(2,347,570)
Total expenses		(773,171,521)	(1,143,835,082)
Operating loss		(36,735,030)	(75,697,238)
Gain on remeasurement of liabilities	17,21	-	275,239,141
Finance costs	27	(141,893,046)	(148,287,376)
(Loss)/profit for the year		(178,628,076)	51,254,527
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on revaluation of property and equipment	5	46,953,368	(161,466,317)
Total other comprehensive gain/(loss) for the year		46,953,368	(161,466,317)
Total comprehensive loss for the year		(131,674,708)	(110,211,790)
Earnings per share			
Basic and diluted earnings per share	13	(1,870)	2,565

Consolidated statement of changes in equity

	Share capital AED	Treasury shares AED	Statutory reserve AED	Share based payment reserve AED	Revaluation reserve AED	Retained earnings AED	Total equity AED
As 1 January 2019	183,500	-	400,000	-	369,241,296	302,319,607	672,144,403
Profit for the year	-	-	-	-	-	51,254,527	51,254,527
Other comprehensive income							
Fair value loss on revaluation of property and equipment	-	-	-	-	(161,466,317)	-	(161,466,317)
Total comprehensive loss for the year	-	-	-	-	(161,466,317)	51,254,527	(110,211,790)
Other movements:							
Transfer of revaluation surplus on property and equipment to retained earnings	-	-	-	-	(5,218,503)	5,218,503	-
Share based compensation expense	-	-	-	2,347,570	-	-	2,347,570
Transfer to treasury shares	(9,157)	9,157	-	-	-	-	-
Shares awarded	989	(989)	-	-	-	-	-
At 31 December 2019	175,332	8,168	400,000	2,347,570	202,556,476	358,792,637	564,280,183
Profit for the year	-	-	-	-	-	(178,628,076)	(178,628,076)
Other comprehensive income							
Fair value gain on revaluation of property and equipment	-	-	-	-	46,953,368	-	46,953,368
Total comprehensive loss for the year	-	-	-	-	46,953,368	(178,628,076)	(131,674,708)
Other movements:							
Transfer of revaluation surplus on property and equipment to retained earnings	-	-	-	-	(4,309,495)	4,309,495	-
Share based compensation expense	-	-	-	2,710,980	-	-	2,710,980
Shares awarded	1,224	(1,224)	-	-	-	-	-
At 31 December 2020	176,556	6,944	400,000	5,058,550	245,200,349	184,474,056	435,316,455

Consolidated statement of cash flows

	Note	Year ended 31 December 2020 AED	2019 AED
Cash flows from operating activities			
(Loss)/profit for the year		(178,628,076)	51,254,527
Adjustments for:			
Depreciation	5,6	20,724,104	21,683,700
Amortisation	7	44,033,695	46,345,267
Impairment on property and equipment	5	22,958,732	74,446,397
Impairment on intangible assets	7	12,034,235	62,641,216
Loss allowance on trade receivables	10	68,889,562	12,771,468
Provision for employees' end of service benefits	15	5,604,014	5,316,862
Share based payment expense	14	2,710,980	2,347,570
Remeasurement of liabilities	17,21	-	(275,239,141)
Finance costs	27	141,893,046	148,287,376
Loss on disposal of property and equipment	5	761,634	-
Operating cash flows before changes in working capital and payment of end of service benefits		140,981,926	149,855,242
Payment of employees' end of service benefits	15	(11,278,538)	(4,541,428)
Changes in working capital:			
Development and trading properties, including amount transferred to property and equipment		4,912,300	44,372,917
Trade and other receivables		23,191,350	(229,586,023)
Due from related parties		(2,428,141)	(313,646)
Movement in restricted cash		28,475,633	(8,441,008)
Advances from customers		(155,322,592)	(155,020,366)
Trade and other payables		(29,184,697)	129,634,395
Due to related parties		211,087	(128,439)
Net cash used in operating activities		(441,672)	(74,168,356)
Cash flows from investing activities			
Additions to property and equipment	5	(319,383)	(1,607,072)
Proceeds from disposal of property and equipment	5	1,001,000	1,081,110
Additions to intangible assets	7	(109,890)	(672,729)
Net cash generated from/(used in) investing activities		571,727	(1,198,691)
Cash flows from financing activities			
Net proceeds from sale of/issuance of sukuk certificates	20	27,829,696	352,249,108
Proceeds from borrowings	19	-	30,000,000
Repayment of borrowings	19	(1,968,885)	(299,819,326)
Principal elements of lease payments		(4,092,093)	(2,948,222)
Interest paid		(53,613,266)	(58,734,630)
Net cash (used in)/generated from financing activities		(31,844,548)	20,746,930
Net decrease in cash and cash equivalents		(31,714,493)	(54,620,117)
Cash and cash equivalents, beginning of the year		327,009,977	381,630,094
Cash and cash equivalents, end of the year	11	295,295,484	327,009,977

Significant non-cash transaction included in the consolidated statement of cash flow is as follows:

	Note	2020 AED	2019 AED
Payment of payable for acquisition of subsidiaries through issuance of sukuk certificates	21	-	91,625,002

1 Legal status and principal activities

Aurum (Cayman) Limited (the "Company") is a limited liability company registered in Cayman Islands. The Company was incorporated on 24 January 2017. The Company's registered address is PO Box 309, Ugland House, Grand Cayman, KY1-1104.

The Company is 30% owned by Opus JV (Cayman) Limited and 70% owned by Palladium Limited (70%) ("Shareholders").

The principal activity of the Company is that of a holding company. The Company and its subsidiaries are referred to as (the "Group"). The activities of the Company's principal subsidiaries are detailed below:

		Holding percentage	
Name of entity	**Principal activity**	**2020**	**2019**
Primum SPC Limited	Holding company	100	100
TFG Corporate Holdings Limited	Holding company	100	100

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost convention as modified by the revaluation of property and equipment.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. These policies have been consistently applied to all the years presented, unless otherwise stated.

Covid-19

In response to the spread of the novel coronavirus ("Covid-19") in the United Arab Emirates where the Group operates and its resulting disruptions to the social and economic activities in the market, management had proactively assessed its impacts on its operations and had taken a series of preventive measures and processes, to ensure the health and safety of its employees and customers. The global crisis resulting from the spread of Covid-19 has had a substantial negative financial impact on the Group's operations for the year ended 31 December 2020. While lockdowns and business restrictions are easing, local conditions may lead to closures or increased limitations. The ongoing material adverse effects of the Covid-19 pandemic on the Group for an extended period may negatively affect the operating results, including reductions in revenue and cash flow. Management has treated Covid-19 as an indicator for impairment and has under IAS 36, performed an impairment assessment on the non-financial assets (property and equipment, right of use assets, and intangible assets) after revising the forecasted future cashflows for the potential impact of Covid-19. The impairment recorded and sensitivity analysis is disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards, amendments and interpretations adopted by the Group

The following new standards became applicable for the current reporting year and the Group had to change its accounting policies and make appropriate adjustments as a result of adopting these standards:

- IFRS 16 Covid-19 Related Rent Concessions Amendment;
- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3; and
- Revised Conceptual Framework for Financial Reporting.

On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. There is no impact of the adoption of this amendment and the new accounting policy.

(b) New standards, amendments and interpretations not yet adopted and not effective for the financial year beginning 1 January 2020 by the Group

i) Phase 2 - Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7;
ii) Amendments to IFRS 3 (effective from 1 January 2022);
iii) IFRS 17, ‘Insurance contracts’ (effective from 1 January 2022); and
iv) Amendments to IAS 1 and IAS 8 (effective from 1 January 2022).

The Group is not expecting any significant impact from these standards and amendments on the future financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisition-related costs are expensed as incurred.

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 profit or loss.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Transactions with owners acting in their capacity as owners are recorded in the consolidated statement of changes in equity.

(b) Eliminations on consolidation

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition

IFRS 15 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that applies to revenue arising from contracts with customers.

Step 1: Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

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

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

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

Step 5: Recognise revenue as and when the Group satisfies a performance obligation.

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition (continued)

The sales commission paid where applicable, is recognised as prepaid commission and is amortised to the statement of comprehensive income over time upon fulfilment of the related performance obligation.

(a) Revenue from sale of units

The Group constructs the projects (which are buildings with individual apartments and serviced apartments) while it is in the customers control, hence revenue from construction of the projects is recognised over time, as and when the construction progresses.

All costs incurred that are attributable to unsold portions of land and/or property, including the cost of infrastructure land, are included in work-in-progress within property held for development and sale until the land and/or property is sold.

The sales commission paid where applicable, is recognised as prepaid commission and is amortised to the statement of comprehensive income over time upon fulfilment of the related performance obligation.

The Group has an enforceable right to payment for performance completed to date. The Group has established additional criteria for revenue recognition, whereby a project must be at a 5% or more completion stage to qualify for revenue recognition, and the Group must have a signed sales agreement and receive payment of 10% or more from a customer to recognise revenue. Management believes that these percentages represent the thresholds above which it is probable that economic benefits will flow to the Group.

The revenue from project construction is a multiple of management's total estimated cost for the construction and a percentage of completion confirmed for each project.

Management estimates the cost to complete for construction of the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of constructing the projects, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

Upon recognition of revenue against a certain project, the infrastructure cost allocated to the plot of land is released to the consolidated statement of comprehensive income, as cost of revenue.

(b) Commission and management fee income

Revenue from services and management charges from facilities, property and project management and commission on sale of third parties' properties are recognised in the accounting period in which the services are rendered. Revenue from commission and management income are recognised at a point of time.

(c) Food and beverage income

Group revenue from food, beverages is recognised when goods are sold and services are rendered. Amounts are recognised net of discounts and municipality fees where applicable. Revenue from food and beverage income is recognised at a point of time.

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition (continued)

(d) Other income

Forfeited/cancellation income is recognised in the consolidated statement of comprehensive income when a customer walks away from a pending sale or does not fulfil the contractual payment term, in accordance with the regulation and contractual terms.

2.4 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Balances and transactions denominated in US Dollars ("USD") have been translated into the presentation currency at a fixed rate as the exchange rate of AED to USD has been pegged since 1981.

Foreign exchange gains and losses that relate to 'borrowings' and 'cash and bank balances' are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income or expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;
(ii) Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates; and
(iii) All resulting exchange differences are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.4 Foreign currencies (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the consolidated statement of comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in consolidated statement of comprehensive income.

2.5 Property and equipment

Buildings and capital-work-in-progress to be classified as buildings upon commissioning are stated at fair value, based on valuations by external independent valuers less subsequent depreciation and impairment. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. 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. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings and capital work-in-progress are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the consolidated statement of comprehensive income. The revaluation reserve included in equity in respect of an item of property and equipment is transferred directly to retained earnings when the asset is derecognised.

Capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group’s policy.

2 Summary of significant accounting policies (continued)

2.5 Property and equipment (continued)

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	5 years
Vehicles	5 years
Computer equipment	3 years
Furniture and fixtures	4-5 years
Gym equipment	3 years
Office space/shops	30 years

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

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised in the consolidated statement of comprehensive income. When revalued assets are sold, the amounts included in revaluations reserves are transferred to retained earnings.

When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

2.6 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and the cost or fair value of the asset can be measured reliably.

(a) Brand

The brands acquired by the Group are carried at cost and have been assessed to have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost of the brand over its estimated useful life of 25 years.

(b) Customer relationship

The acquired customer relationship amount is arrived at by calculating the present value of the expected future economic benefits arising from long established relationships with an average relationship of 6 years after deducting a contributory asset charge. Amortisation is calculated using the straight-line method over its estimated useful life of 6.

(c) Customer contracts

The acquired customer contracts represent the value of rights that arise from contractual agreements. These represents long term contracts spanning over a period of 20 years with a renewal option available. Customer contracts amount is arrived at by calculating the present value of the expected future economic benefits arising from contracts after deducting a contributory asset charge. Amortisation is calculated using the straight-line method over its estimated useful life of 40 years.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

(d) Licenses

Licenses acquired by the Group are carried at cost and have been assessed to have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over its estimated useful life of 5 years.

2.7 Development and trading properties

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

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

Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs of sale.

The cost of development properties recognised within profit and loss in the consolidated statement of comprehensive income on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

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

Properties that have been constructed and completed for the purpose of being sold are stated at lower of cost and net realizable value. Cost includes the cost of land and development rights, construction costs, infrastructure costs and other related direct costs, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“cash generating units”). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in the consolidated statement of comprehensive income. After a reversal of an impairment loss is recognised, the depreciation/amortisation charge of the asset shall be adjusted in future periods to allocate the asset’s revised carrying amount, less residual value over the remaining useful life.

2 Summary of significant accounting policies (continued)

2.9 Financial assets

(i) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in statement of comprehensive income.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses, and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains or losses in the period in which it arises.

Equity instruments

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

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

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience, which is adjusted for expected cash flows from the realisation of the assets' collateral, if any and further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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

Impairment losses on trade receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

Management assessed the expected credit losses as prescribed by the requirements of IFRS 9 against trade and unbilled receivables and other receivables Note 10 disclosed the impact on the consolidated financial statements.

2.10 Financial liabilities

The Group initially recognizes debt securities issued on the date that they originated. All other financial liabilities (including liabilities designated as fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Non-derivative financial liabilities comprise loans and borrowings, sukuk notes and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Cash and bank balances

Cash and cash equivalents comprise current accounts and all bank deposits which have an original maturity of three months or less, less bank deposits which have an original maturity of more than three months.

2.13 Advances from customers

Instalments received from buyers, for sales of land and/or buildings, prior to meeting the revenue recognition criteria, are recognised as advances from customers or contract liability. These are subsequently released to the consolidated statement of comprehensive income once the revenue recognition criteria are met.

Advances from customers may also be released to revenue or other income, when a customer defaults on its contractual obligations.

2 Summary of significant accounting policies (continued)

2.14 Trade and other payables

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

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

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as finance cost.

2.16 Employees' benefits

An accrual is made for the estimated liability for employees' entitlements to leave passage as a result of services rendered by the employees up to the consolidated statement of financial position date. A provision is also made for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the consolidated statement of financial position date. The accrual relating to leave passage is included in trade and other payables, while the provision relating to employees' end of service benefits is disclosed separately as a non-current liability.

2.17 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

Finance costs related to borrowings are charged within profit and loss in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.18 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single lessee accounting model.

Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

The Group leases offices and vehicles. The rental contracts are typically made for fixed periods of 1 to 2 years, with no specific clauses for extension and termination of the lease. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group has initially measured assets and liabilities on a present value basis. In determining the lease liabilities, the Group has included the net present value of the fixed lease payments, less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

These liabilities are measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate. Incremental borrowing rate is that rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of offices and vehicles are recognised on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

2 Summary of significant accounting policies (continued)

2.19 Equity compensation benefits

The Group grants bonus shares to its employees under an equity compensation plan. The Group recognises an employee benefit expense in the consolidated statement of comprehensive income, representing the fair value of bonus share granted. A corresponding credit to equity is raised for equity-settled plans.

The fair value of the options at the date of grant under equity-settled plans is charged to the consolidated statement of comprehensive income over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting. A bonus share scheme is considered equity-settled when the transaction is settled through the issue of equity instruments of Aurum (Cayman) Limited. On the final vesting date of equity-settled plans, the Group transfers the accumulated balance relating to vested shares from the share-based compensation reserve to retained earnings.

2.20 Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit/(loss) attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

2.21 Treasury shares

Treasury shares are the outstanding stock repurchased from stockholders by the issuing Parent Company. These shares are issued but not outstanding and are not included in the calculation of dividends or earnings per share.

2.22 Segment reporting

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results that are reported operated to the Board of Directors include items directly attributable to a segment as well those that can be allocated on a reasonable basis.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has low exposure to foreign currency risks as the majority of transactions are denominated in UAE Dirham, US Dollars or currencies pegged to the US Dollar.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from borrowings. The Group does not hedge the risk arising from interest variations risk.

As at 31 December 2020, Sukuk notes amounting to AED 472 million (2019: AED 443 million) issued by the Group's (maturing in August 2024) carries fixed interest rate of 10.5% p.a. (2019: 10.5% p.a.).

At 31 December 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been higher/lower by AED 0.5 million (2019: AED 0.3 million).

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Group has no significant exposure to price risk as it does not hold any listed equity securities or commodities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises from 'trade receivables', 'cash and cash equivalents' held at banks and 'due from related parties'. Credit risk is mainly attributable to the sales contracts with customers. Trade receivables are made to customers with an appropriate credit history.

Bank deposits are held with various financial institutions. The table below shows the balances with major banks (based on Moody's rating) at the consolidated statement of financial position date.

3 Financial risk management (continued)

(b) Credit risk (continued)

3.1 Financial risk factors (continued)

	Rating	2020 AED	2019 AED
Counterparty 1	A2	246,972,588	296,002,477
Counterparty 2	A3	21,040,695	38,697,365
Counterparty 3	A3	14,620,151	959,198
Counterparty 4	A1	1,079,692	2,154
Counterparty 5	A3	330,410	871,973
Counterparty 6	Unrated	187,700	3,620,638
		284,231,236	340,153,805

The table above excludes cash on hand amounting to AED 11.1 million (2019: AED 12.8 million) and restricted cash and margin deposits of AED 5.1 million (2019: AED 7.6 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity through availability of funding from the shareholders to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year AED	1 to 5 Years AED	More than 5 years AED	Total AED
At 31 December 2020				
Trade and other payables	848,575,263	532,042,861	-	1,380,618,124
Lease liability	1,821,697	1,155,000	-	2,976,697
Due to related parties	913,459	-	-	913,459
Sukuk notes	51,951,375	628,982,719	-	680,934,094
Payable for acquisition of subsidiaries	-	430,000,000	113,946,681	543,946,681
Borrowings including interest payable	6,506,292	21,963,063	-	28,469,355
	909,768,086	1,614,143,643	113,946,681	2,637,858,410

3 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year AED	**1 to 5 Years** AED	**More than 5 years** AED	**Total** AED
At 31 December 2019				
Trade and other payables	871,976,744	532,042,861	-	1,404,019,605
Lease liability	4,851,731	1,565,581	-	6,417,312
Due to related parties	702,372	-	-	702,372
Sukuk notes	51,951,375	631,041,393	-	682,992,768
Payable for acquisition of subsidiaries	-	60,000,000	483,946,681	543,946,681
Borrowings including interest payable	1,556,225	35,643,775	-	37,200,000
	931,038,447	1,260,293,610	483,946,681	2,675,278,738

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for partners and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of profit distributed to shareholder or manage its working capital requirements.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt (excluding is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) plus Sukuk notes less cash and bank balances (including short term deposits). Total capital is calculated as 'Total equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios (excluding payable for acquisition of subsidiaries) of the Group was as follows:

	2020 AED	**2019** AED
Borrowings (Note 19)	28,469,356	30,438,240
Sukuk notes (Note 20)	471,703,806	443,874,110
Less: cash and cash equivalents (Note 11)	(295,295,484)	(327,009,977)
Net debt (Note 30)	204,877,678	147,302,373
Total equity	423,356,054	564,280,183
Total	628,233,732	711,582,556
Gearing ratio	32.6%	20.7%

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or avail of additional funding from related parties or shareholders.

3 Financial risk management (continued)

3.3 Fair value estimation

The financial instruments carried at fair value by valuation method are categorised as follows:

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

The Group does not carry any financial asset or liability that is measured at fair value at 31 December 2020. The Group's non-financial assets carried at fair value at 31 December 2020 are disclosed in Note 5.

4 Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

Impairment of financial assets

The impairment of trade receivables and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 2.9 (iv).

Revenue from contracts with customers

The Group uses the input method (percentage-of-completion method) in accounting for its revenue from sale of properties held for development and sale.

Using proportion of costs incurred to the date to the estimated costs of the project method requires the Group to estimate the obligations performed to date as a proportion of the total obligation to be performed from contracts with customer for sale of properties held for development and sale.

Were the estimated project cost to complete increases by 5% from management's estimates with all other variables held constant, the amount of revenue recognised for the year would be decreased by AED 117.2 million (2019: AED 97.0 million). Were the estimated project cost to complete decreases by 5% from management's estimates with all other variables held constant, the amount of revenue recognised for the year would be increased by AED 135.5 million (2019: AED 107.2 million).

4 Critical accounting estimates and judgements (continued)

Revaluation of property and equipment

During 2020 and 2019, the estimated fair value of property and equipment (commissioned and construction work-in-progress of food and beverage and retail outlets) were revalued by an external, independent and qualified valuer. This is based on management's assumption that these assets are developed and transferred to the buildings class of property and equipment upon commissioning.

The net effect of the revaluation in 2020 was a net increase in the revaluation reserve in equity and increase in the carrying amount of property and equipment (Note 5) each of AED 46.96 million. Moreover, an impairment charge of AED 22.96 million is recognized in the profit or loss in the consolidated statement of comprehensive income.

The net effect of the revaluation in 2019 was a net decrease in the revaluation reserve in equity and decrease in the carrying amount of property and equipment (Note 5) each of AED 161.5 million. Moreover, an impairment charge of AED 74.5 million is recognized in the profit or loss in the consolidated statement of comprehensive income.

For offices, a formal valuation of the Group's offices was undertaken by an independent qualified appraiser using the following methods;

(a) 'Capitalisation method/market yield' in determining the current market value of the subject properties. The appraiser has applied different rental rates to each section of the property considered leasable, deducted appropriate costs and capitalised the net income into perpetuity at a rate that is most justifiable to the respective property. The appraiser has also had regards to the specification, condition, location and build quality of the respective property. To determine a net rental income of the property have deducted usual landlord's costs which include the rent, maintenance allowance, service charges and building insurance.

(b) 'Sales comparison method' involves determination of the value of the property with reference to comparable market transactions for properties in close proximity. These values are adjusted for differences in key attributes such as size, gross floor area and location.

(c) 'Residual price method' involves determination of the estimated selling price of a project development on the respective offices; reduced by the estimated construction and other costs to completion that would be incurred by a market participant and an estimated profit margin that a market participant would require to hold and develop the offices to completion. The significant inputs into this valuation approach are the estimated selling prices, costs to complete and developers' margins. The valuation method adopted for these offices fall under level 3.

For food and beverage and retail outlets, the revaluation was supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the revalued assets

4 Critical accounting estimates and judgements (continued)

Revaluation of property and equipment (continued)

The key assumptions on which management has based its cash flow projections when determining its fair value are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in the food and beverage and retail market share over the long-term period of 6 years;
- Terminal value upon exit of the 6-year cash flows projection;
- Completion date of construction for the projects under constructions and operations commencement;
- The discount rate of 11.5% is reflective of the return that an investor would make from a similar investment.

The sensitivity analysis on the key assumptions for the year ended 31 December 2020 is as follows:

		Valuation of food and beverage shops AED 'million effect on the consolidated statement of comprehensive income			
	Change in assumption	For the year ended 31 December 2020		For the year ended 31 December 2019	
Revenue growth rate	+/- 0.5%	1.0	(0.9)	1.4	(1.4)
EBITDA Margin	+/- 0.5%	1.2	(1.1)	2.0	(2.0)
Discount rate	+/- 0.5%	(3.5)	-	(4.9)	5.0

		Valuation of offices AED 'million effect on the consolidated statement of comprehensive income			
	Change in assumption	For the year ended 31 December 2020		For the year ended 31 December 2019	
Void rate	+/- 1%	(0.1)	0.1	(0.1)	0.1
Outgoing expenses	+/- 1%	(0.1)	0.1	(0.1)	0.1
Capitalisation yield rate	+/- 1%	(10.7)	14.4	(13.0)	14.0

There were no changes to the valuation techniques during the year.

Impairment of intangible assets

For all intangible assets, the Group assesses impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

As a result of the adverse business effects in the primary market of the Group, Covid-19 has triggered an impairment review which has been conducted as at 31 December 2020. The Group has performed a re-assessment of the significant judgements, estimates, and assumptions in relation to the impairment assessment as at 31 December 2020 compared to those used as at 31 December 2019. As Covid-19 brings uncertainty, the Group is monitoring the business and the forecasts will be updated depending on latest developments and any changes required will be reflected in future reporting periods.

4 Critical accounting estimates and judgements (continued)

Impairment of intangible assets (continued)

Impairment provisions are determined as the difference between the carrying value of the intangible assets (before impairment charge) and the recoverable amount. The recoverable amount of a CGU is determined on the basis of its "value in use". These calculations use cash flow and discount rate as set out below in note 7, the cash flow projections are based on financial budgets approved by management.

As of 31 December 2020, an impairment charge against brand and customer contracts have been recorded in the current year amounting to AED 9.0 million (2019: AED 46.7 million) and AED 3.0 million (2019: AED 15.9 million) respectively.

The results of sensitivity analysis performed by management in relation to the key assumptions used in the value-in-use calculations are disclosed in Note 7.

5 Property and equipment

	Leasehold improvements	Vehicles	Computer equipment	Furniture and fixtures	Gym equipment	Office space/ shops	Work in progress	Total
	AED	AED	AED	AED	AED	AED	AED	AED
Cost or revaluation								
As 1 January 2019	4,568,768	6,411,956	5,395,575	2,033,487	1,413,645	354,267,324	515,703,157	889,793,912
Additions	71,195	-	634,464	365,758	-	535,655	-	1,607,072
Transfer from development properties (Note 8)	-	-	-	-	-	-	46,648,955	46,648,955
Transfer from work in progress	-	-	-	-	-	57,848,632	(57,848,632)	-
Transfers	-	-	-	-	-	(938,904)	-	(938,904)
Disposals	-	(2,269,514)	-	(45,968)	-	-	-	(2,315,482)
Fair value loss from revaluation of properties	-	-	-	-	-	(119,791,605)	(103,484,653)	(223,276,258)
Fair value gain from revaluation of properties	-	-	-	-	-	5,500,646	56,309,295	61,809,941
At 31 December 2019	**4,639,963**	**4,142,442**	**6,030,039**	**2,353,277**	**1,413,645**	**297,421,748**	**457,328,122**	**773,329,236**
Additions	-	-	224,983	60,900	-	33,500	-	319,383
Transfer from development properties (Note 8)	-	-	-	-	-	-	31,003,509	31,003,509
Transfer from work in progress	-	-	-	-	-	89,416,632	(89,416,632)	-
Disposals	-	(3,320,000)	(5,941)	-	-	-	-	(3,325,941)
Fair value loss from revaluation of properties	-	-	-	-	-	(65,694,820)	-	(65,694,820)
Fair value gain from revaluation of properties	-	-	-	-	-	12,231,669	100,416,519	112,648,188
At 31 December 2020	**4,639,963**	**822,442**	**6,249,081**	**2,414,177**	**1,413,645**	**333,408,729**	**499,331,518**	**848,279,555**
Accumulated depreciation and impairment								
As 1 January 2019	441,759	1,618,646	3,605,868	750,423	1,334,349	15,239,807	-	22,990,852
Charge for the year (Note 25)	248,204	1,187,902	1,390,349	408,366	58,383	15,227,129	61,297	18,581,630
Disposals	-	(1,234,374)	-	-	-	-	-	(1,234,374)
Impairment charge for the year	-	-	-	-	-	32,869,209	41,577,188	74,446,397
At 31 December 2019	**689,963**	**1,572,174**	**4,996,217**	**1,158,789**	**1,392,732**	**63,336,145**	**41,638,485**	**114,784,505**
Charge for the year (Note 25)	234,323	429,907	930,929	353,980	20,913	14,888,978	37,643	16,896,673
Disposals	-	(1,561,455)	(1,852)	-	-	-	-	(1,563,307)
Impairment charge for the year	-	-	-	-	-	773,189	22,185,543	22,958,732
At 31 December 2020	**924,286**	**440,626**	**5,925,294**	**1,512,769**	**1,413,645**	**78,998,312**	**63,861,671**	**153,076,603**
Net book value								
At 31 December 2020	**3,715,677**	**381,816**	**323,787**	**901,408**	**-**	**254,410,417**	**435,469,847**	**695,202,952**
At 31 December 2019	**3,950,000**	**2,570,268**	**1,033,822**	**1,194,488**	**20,913**	**234,085,603**	**415,689,637**	**658,544,731**

Capital work-in-progress is mainly attributed to cost of land and constructions costs of retail outlets of projects under construction. Office space/shops assets with a carrying amount of AED 80 million are pledged as security for the Group’s bank facility (Note 19).

5 Property and equipment (continued)

Fair values of capital work-in-progress and buildings

Every 3 years or earlier if required, the Group engages an external, independent and qualified valuation to determine the fair value of the Group's property. The external independent valuer in discussion with the Group's management, determines these inputs based on the current market rates, specific conditions and comparable food and market retail income in the corresponding market.

Due to the uncertainty caused by Covid-19, The Group performed a valuation assessment on the property and equipment as at 31 December 2020 which resulted to a decrease in the fair value reserve of AED 65.7 million, additional impairment charge of AED 22.96 million and recognition of fair value gain of AED 112.7 million for newly installed assets.

A valuation of the Group's property and equipment was also performed in the prior financial year, as at 31 December 2019 which resulted to a decrease in the fair value reserve of AED 223.3 million, additional impairment charge of AED 74.5 million and recognition of fair value gain of AED 61.8 million for newly installed assets.

For all property and equipment, the current use of the property is its highest and best use. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified to level 3.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the chief executive officer (CEO). Discussions of valuation processes and results are held between the CEO and CFO.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

If food and beverage and retail outlets, offices and capital work-in-progress were stated on the historical cost basis, the amounts would be as follows:

	2020 AED	**2019** AED
Net book value	231,474,990	207,031,250

6 Right-of-use asset

	2020 AED	**2019** AED
At 1 January	6,124,189	1,302,906
Additions during the year	2,349,404	7,923,353
Net disposals	(1,672,942)	-
Charge for the year (Note 25)	(3,827,431)	(3,102,070)
At 31 December	2,973,220	6,124,189

7 Intangible assets

	Brand AED	**Customer relationships** AED	**Customer contracts** AED	**Licenses** AED	**Website** AED	**Total** AED
Cost						
As 1 January 2019	191,800,000	168,700,000	416,600,000	442,200	-	777,542,200
Additions	-	-	-	-	672,729	672,729
At 31 December 2019	191,800,000	168,700,000	416,600,000	442,200	672,729	778,214,929
Additions	-	-	-	109,890	-	109,890
At 31 December 2020	191,800,000	168,700,000	416,600,000	552,090	672,729	778,324,819
Accumulated depreciation						
As 1 January 2019	13,094,948	46,990,913	18,776,836	-	-	78,862,697
Charge for the year (Note 25)	7,672,000	28,116,667	10,415,000	29,480	112,120	46,345,267
Impairment charge for the year	46,733,052	-	15,908,164	-	-	62,641,216
At 31 December 2019	67,500,000	75,107,580	45,100,000	29,480	112,120	187,849,180
Charge for the year (Note 25)	5,576,492	28,116,667	9,989,273	127,020	224,243	44,033,695
Impairment charge for the year	9,023,508	-	3,010,727	-	-	12,034,235
At 31 December 2020	82,100,000	103,224,247	58,100,000	156,500	336,363	243,917,110
Net book value						
At 31 December 2020	**109,700,000**	**65,475,753**	**358,500,000**	**395,590**	**336,366**	**534,407,709**
At 31 December 2019	**124,300,000**	**93,592,420**	**371,500,000**	**412,720**	**560,609**	**590,365,749**

7 Intangible assets (continued)

In accordance with the International Accounting Standard 36 (impairment of assets), the Group is required to carry out an impairment assessment whenever there is an indication that the asset may be impaired. The calculations use cash flow projections and discount rate based on financial budgets approved by management covering the useful lives of the assets.

Brand

Brand was valued by an external valuer using the relief from royalty methodology. Revenue was forecasted using a long-term growth of 1% for 22 years (remaining useful life). Key assumptions used in the valuation calculation and sensitivity analysis are as follows:

- Royalty rate after deducting brand maintenance cost of 1.6% (2019: 1.6%)
- Discount rate of 13.0% (2019: 14.5%)

		Impairment of brand AED 'million effect on the consolidated statement of comprehensive income			
	Change in assumption	For the year ended 31 December 2020		For the year ended 31 December 2019	
Royalty rate	+/- 0.5%	34.4	(34.2)	38.9	(38.9)
Revenue growth rate	+/- 0.5%	4.4	(4.1)	14.0	(23.0)
Discount rate	+/- 0.5%	(3.6)	3.9	(3.6)	3.8

Customer contracts

The contracts were valued by an external valuer using Multi-Period Excess Earnings Method ("MEEM") approach. MEEM examines the economic returns contributed by tangible and intangible assets utilised in generating earnings, and then isolates the excess return attributed only to the specific asset being valued through Contributory Asset Charges ('CACs') on those earnings.

Key assumptions used in the valuation calculation and sensitivity analysis are as follows:

- the projected revenue and earnings attributed to existing customer contracts;
- earnings before interest and tax ("EBIT") after CACs; and
- Discount rate of 8.5% (2019: 10.0%)

		Impairment of customer contracts AED 'million effect on the consolidated statement of comprehensive income			
	Change in assumption	For the year ended 31 December 2020		For the year ended 31 December 2019	
Revenue growth rate	+/- 0.5%	14.97	(14.1)	20.2	(19.2)
EBIT after CACs	+/- 0.5%	2.0	(2.0)	(2.3)	2.3
Discount rate	+/- 0.5%	(19.9)	18.9	(18.6)	19.7

7 Intangible assets (continued)

Customer relationships

The customer relationships were valued by an external valuer using Multi-Period Excess Earnings Method ("MEEM") approach. MEEM examines the economic returns contributed by tangible and intangible assets utilised in generating earnings, and then isolates the excess return attributed only to the specific asset being valued through Contributory Asset Charges ('CACs') on those earnings.

Key assumptions used in the valuation calculation are as follows:

- the projected revenue and earnings attributed to existing customer relationships;
- the expected attrition rate for these relationships;
- earnings before interest and tax ("EBIT") after CACs at 35% (2019: 35%); and
- the risk adjusted discount rate of 14.5% (2019: 13.5%)

The customer relationships intangible asset was deemed fully recoverable as a result of the impairment assessment as on 31 December 2020 and 2019. No change to impairment assessment is estimated as a result of the sensitivity analysis conducted.

8 Development and trading properties

	AED
At 1 January 2019	990,792,407
Additions during the year	421,384,087
Transfer to property and equipment (Note 5)	(46,648,955)
Recognised as cost of units sold during the year (Note 24)	(465,757,004)
At 31 December 2019	**899,770,535**
Additions during the year	336,934,351
Transfer to property and equipment (Note 5)	(31,003,509)
Recognised as cost of units sold during the year (Note 24)	(341,846,651)
At 31 December 2020	**863,854,726**

Development properties at December 2020 and 2019 comprises of land costs and design and development costs for projects at various locations in United Arab Emirates.

Trading properties at December 2020 and 2019 represent completed residential units and serviced apartments of certain projects at various locations. Development and trading properties are carried at the lower of cost or net realisable value, including the cost of land determined based on square feet of the properties completed to a ratio of total square feet of the project. The net realisable value of the completed properties is higher than their carrying amounts based on the recently concluded sales transactions.

9 Related party transactions and balances

Related parties include the Shareholders, ultimate shareholders, key management personnel, subsidiaries, directors and businesses which are controlled directly or indirectly by the ultimate shareholders or directors, or over which they exercise significant management influence ("affiliates").

9 Related party transactions and balances (continued)

Transactions with related parties:

During the year, the Group entered into the following significant transactions with related parties:

	2020 AED	**2019** AED
Key management compensation		
Salaries and other benefits	13,869,858	14,566,678
End of service benefits	475,291	633,720

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

	2020 AED	**2019** AED
Due from related parties		
Affiliates	9,461,794	7,033,653

	2020 AED	**2019** AED
Due to related parties		
Affiliates	913,459	702,372

The carrying amounts of amounts due from/ to related parties approximate their fair value. The fair values are within level 3 of the fair value hierarchy.

10 Trade and other receivables

	2020 AED	**2019** AED
Trade receivables	417,468,232	346,645,664
Unbilled receivables	170,243,770	249,535,946
Less: loss allowance	(102,789,713)	(33,900,151)
	484,922,289	562,281,459
Deferred sales and marketing expenses (i)	85,239,324	102,813,981
Advances to suppliers	29,092,026	20,603,786
Prepayments	15,992,477	16,947,972
Security deposit	982,092	982,092
Other receivables	54,029,503	58,875,101
	670,257,711	762,504,391
Less: non-current portion of trade receivables	(46,030,183)	(72,997,070)
	624,227,528	689,507,321

The Group has a broad base of customers with no concentration of credit risk within trade and unbilled receivables at 31 December 2020. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The carrying amounts of trade and other receivables approximate their fair values which are within level 3 of the fair value hierarchy.

10 Trade and other receivables (continued)

Management is of the opinion that this concentration of credit risk will not result in a loss to the Group since these customers have an established record of meeting their financial commitments to the Group.

The loss allowance of trade and unbilled receivables as at 31 December 2020 was determined as follows:

Ageing	**Gross carrying amount** AED	**Expected credit loss rate (%)**	**Loss allowance on trade and unbilled receivables** AED
Current – unbilled receivables	335,531,312	1%	1,873,544
1-90 days past due	23,367,603	6%	1,363,285
91-180 days past due	41,708,994	11%	4,415,046
More than 180+ days	104,975,431	12%	13,009,176
Specific provisions	82,128,662	100%	82,128,662
Total	587,712,002		102,789,713

The loss allowance of trade and unbilled receivables as at 31 December 2019 was determined as follows:

Ageing	**Gross carrying amount** AED	**Expected credit loss rate (%)**	**Loss allowance on trade and unbilled receivables** AED
Current – unbilled receivables	474,030,204	2%	6,222,042
1-90 days past due	18,659,757	5%	955,899
91-180 days past due	27,421,466	14%	3,819,446
More than 180+ days	63,298,715	16%	10,131,296
Specific provisions	12,771,468	100%	12,771,468
Total	596,181,610		33,900,151

The movement in the loss allowance is as follows:

	2020 AED	**2019** AED
At 1 January	33,900,151	21,128,683
Charge for the year	68,889,562	12,771,468
At 31 December	102,789,713	33,900,151

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

10 Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are mainly denominated in AED.

(i) The Group has deferred the sales commissions incurred to obtain or fulfil contracts with the customers and amortised it over the period of satisfying the performance obligations where applicable.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

11 Cash and bank balances

	2020 AED	**2019** AED
Cash on hand	11,064,248	12,831,805
Cash at banks	284,231,236	314,178,172
Other bank deposits	5,100,000	7,600,000
Finance Service Reserve Account	-	25,975,633
	300,395,484	360,585,610

Cash and cash equivalents balances include the following for the consolidated statement of cash flows:

	2020 AED	**2019** AED
Cash and bank balances	300,395,484	360,585,610
Less restricted cash:		
Other bank deposits	(5,100,000)	(7,600,000)
Finance Service Reserve Account- Sukuk	-	(25,975,633)
Cash and cash equivalents	295,295,484	327,009,977

The carrying amounts of cash and bank balances approximate their fair value. The fair values are within level 3 of the fair value hierarchy. Restricted cash comprise of deposits subject to restrictions by the bank and are therefore not available for general use by the Group.

12 Equity

Share capital

The Company was incorporated with a total share capital of AED 183,500 (2019: AED 183,500) divided in to 5 million shares of AED 0.0367 (2019: AED 0.0367) each.

Statutory reserve

In accordance with the Articles of Association, 10% of the profit for the year in each UAE limited liability registered company is transferred to a legal reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the respective companies.

12 Equity (continued)

Transfers to the legal reserve have accordingly been made by the individual entities within the Group. Consequently, the cumulative balance of legal reserve exceeds 50% of the paid up share capital of the Company.

13 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the net profit for the year attributable to the shareholder of the Company divided on the weighted average number of the issued outstanding shares after deducting the weighted average number of the treasury shares outstanding during the year as follows:

	2020 AED	**2019** AED
Net profit for the year attributable to the shareholders of the Company	(178,628,076)	51,254,527
Weighted average number of issued shares	100,000	20,913
Weighted average number of treasury shares	(4,451)	(927)
Weighted average number of outstanding shares	95,549	19,986
Earnings per share from continuing operations attributable to the shareholders of the Company	(1,870)	2,565

There is no significant impact on earnings per share on adoption of new accounting standards in the current year.

14 Share based compensation

In October 2019, the Group established TFG LSOP Private Trust Company (the "Trustee") to administer the Group's Leadership Share Ownership Plan ("LSOP") on which 4.99% of the total share capital was transferred to the Trustee.

The establishment of the Group's LSOP was approved by shareholders on October 2019. The LSOP is designed to provide long-term incentives for certain key employees to deliver long-term shareholder returns. Under the plan, participants are granted bonus shares which vest in full or in part depending the service period. Participation in the plan is at the shareholder's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of bonus shares that will vest depends on the Group's total shareholder return ("TSR"), including share price growth, dividends and capital returns, ranking within a peer group of selected companies based on geographic presence. Once vested, the bonus shares are awarded.

Bonus shares are granted under the plan for no consideration and carry no dividend or voting rights.

14 Share based compensation (continued)

	Number of units	
	2020	**2019**
Total shares in LSOP	499,000	499,000
At 1 January	231,132	-
Granted during the year	-	285,006
Forfeitures upon cessation of employment	(20,000)	-
Awarded	(66,710)	(53,874)
At 31 December	144,422	231,132

Total expenses arising from share-based payment transactions recognised as at 31 December 2020 as part of employee benefit expense amounted to AED 2.7 million (2019: AED 2.4 million).

15 Provision for employees' end of service benefits

	2020 AED	2019 AED
As at 1 January	24,887,661	24,112,227
Charge for the year (Note 25)	5,604,014	5,316,862
Payments during the year	(11,278,538)	(4,541,428)
As at 31 December	19,213,137	24,887,661

In accordance with the provisions of IAS 19 'Employee Benefits', management has carried out an exercise to assess the present value of its obligations as at 31 December 2020, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment costs of 3 (2019: 3%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 0.77% (2019: 2.21%).

16 Advances from customers

Advances from customers represents instalments received from customers towards purchases of properties, prior to the revenue recognition criteria being met.

	2020 AED	2019 AED
At 1 January	645,695,145	800,715,511
Receipts during the year	384,058,587	648,388,859
Recognised as income on cancellation (Note 23)	(41,620,993)	(34,073,744)
Recognised as revenue from additions during the year	(497,760,186)	(769,335,481)
At 31 December	490,372,553	645,695,145

The aggregate amount of sale price allocated to performance obligations that are unsatisfied/partially satisfied as at 31 December 2020 amounted to AED 490.4 million (2019: AED 645.7 million).

The Company expects to recognise revenue from these unsatisfied performance obligations over a period of 1 to 5 years. Revenue recognised from the balance during 2020 amounts to AED 539.4 million (2019: AED 803.4 million).

17 Trade and other payables

	2020 AED	**2019** AED
Trade and project payables	574,494,820	582,026,605
Accruals	663,210,647	643,369,633
Other payables	7,256,039	5,826,965
	1,244,961,506	1,231,223,203

Analysed as follows:		
Current portion	848,575,263	871,976,744
Non-current portion*	396,386,243	359,246,459
	1,244,961,506	1,231,223,203

* In 2018, The Group entered into an agreement to purchase a land with an external party. The full amount will be paid in one bullet payment in 2021 including non-compounded interest of 15%. Non-current portion of trade and other payable represent the fair value of the consideration payable using the Group incremental borrowing rate of 5% + EIBOR.

On 12 December 2019 the Group modified the terms of the agreement to purchase the same land by deferring the payment date to 31 December 2023 with a fixed interest of AED 168.4 million for the period from 12 December 2019 to 31 December 2023. Management remeasured its liability using its revised incremental borrowing rate of 10.31%. The gain recorded as a result of the remeasurement of the liability in the statement of comprehensive amount amounted AED 128.6 million.

The carrying amounts of trade payables approximate their fair value. The fair values are within level 3 of the fair value hierarchy.

18 Lease liabilities

	2020 AED	**2019** AED
Current	1,466,239	4,851,731
Non-current	1,116,551	1,312,458
	2,582,790	6,164,189

19 Borrowings

	2020 AED	**2019** AED
Bank borrowings*	28,443,775	30,000,000
Auto loans	25,580	438,240
	28,469,355	30,438,240

19 Borrowings (continued)

	AED
At 1 January 2019	300,257,566
Proceeds from bank borrowings	30,000,000
Repayment made during the year	(299,819,326)
At 31 December 2019	30,438,240
Repayments made during the year	(1,968,885)
At 31 December 2020	28,469,355

	2020 AED	**2019** AED
Analysed as follows:		
Current portion	6,506,292	1,994,465
Non-current portion	21,963,063	28,443,775
	28,469,355	30,438,240

On 7 August 2019, the Group early settled the outstanding bank borrowings of AED 296.3 million and was charged AED 4.1 million as a structuring fee. All the remaining capitalized transactional costs of AED 8.9 million have been expensed in the consolidated statement of comprehensive income for the year ended 31 December 2019 under finance cost.

On 26 September 2019, the Group obtained a long-term loan facility amounting to AED 30 million. The loan facility carries interest at three-month Emirates Interbank Offered Rate ("EIBOR") + 3.5%. The duration of the long-term loan is 5 years.

The Group pledged the following as securities against the borrowings:

a) Office space/shops assets with a carrying amount of AED 80 million are pledged as security for the Group's bank facility.
b) Assignment of fire insurance policy of the above-mentioned properties in favour of the Bank (minimum value of AED 68.4 million)
c) Cheque covering the principal and profits amount drawn on the account of Grand Central Commercial Brokers LLC.
d) Collection of rentals from the Group in respect of the above-mentioned properties in case of default

The Group has complied with the financial covenants of its borrowing facilities during the years 2020 and 2019.

The carrying amounts of borrowings approximate their fair value. The fair values are within level 3 of the fair value hierarchy.

20 Sukuk notes

	AED
At 1 January 2019	-
Issuance of Sukuk (605 Sukuk notes of USD 200,000 each)	443,874,110
At 31 December 2019	443,874,110
Additions (39 Sukuk notes of USD 200,000 each)*	27,829,696
At 31 December 2020	471,703,806

On August 2019, the Company issued a five year trust certificates ("Sukuk") of USD 135 million through TFG Sukuk I Limited (the "Trustee"), a structured entity formed for the issuance of Sukuk. The Sukuk are listed on London Stock Exchange's International Stock Market. The Sukuk have a maturity of August 2024 and pay a profit rate of 10.5% per annum payable semi-annually on 7 February and 7 August in each year.

*TFG Real Estate LLC ("TFGRE"), a subsidiary of the Group, acquired 68 Sukuk notes amounting to AED 50.9 million (USD 13.7 million). Such transaction is eliminated in the Group's consolidated financial statements as at 31 December 2019. During 2020, TFGRE sold 39 Sukuk notes amounting to AED 27.8 million (USD 7.7 million) to an external party resulting in an increase of AED 27.8 million in its Sukuk notes liability as at 31 December 2020,

The Sukuk program is structured as an Ijara. The terms of the arrangement include transfer of certain identified assets (the Ijara assets) of the Group through the trustee. The Ijara assets remain in control of the Group and shall continue to be serviced by the Group.

The Sukuk financing instrument has certain covenants on the Group. These covenants state that the Group will ensure that the following financial ratios are met:

a) Security Cover is not less than 125%.
b) Cash Cover is not less than 0.6.:1
c) Periodic Distribution Service Cover Ratio is not less than 1.2:1
d) Projected Periodic Distribution Service Coverage Ratio is not less than 2.0:1

21 Payable for acquisition of subsidiaries

	2020 AED	**2019** AED
1 January	337,663,755	521,416,778
Payment through issuance of sukuk certificates	-	(91,625,002)
Remeasurement of a liability	-	(146,685,467)
Unwinding of interest (Note 27)	45,356,780	54,557,446
At 31 December 2020	383,020,535	337,663,755

	2020 AED	**2019** AED
Non-current portion	383,020,535	337,663,755
At 31 December 2020	383,020,535	337,663,755

21 Payable for acquisition of subsidiaries (continued)

On 17 April 2017, the Group acquired TFGI and its subsidiaries from its previous shareholders for a deferred consideration of USD 178 million (AED 652 million). The fair value of the consideration payable is USD 119.8 million (AED 439.9 million).

On November 2019 the Group modified the payment terms of the agreement extending the payments. As a result, management remeasured its liability and recognised a gain in the consolidated statement of comprehensive income amounted to AED 146.7 million.

22 Revenue

	2020 AED	**2019** AED
Revenue from sale of units (i)	654,508,933	925,628,163
Food and beverage income	21,516,648	45,327,700
Asset management fees	11,585,998	14,980,779
Commission income	-	18,801,874
Others	226,323	-
	687,837,902	1,004,738,516

Timing of revenue recognition is as follows:

	2020 AED	**2019** AED
At a point in time	33,328,969	79,110,353
Over time	654,508,933	925,628,163
	687,837,902	1,004,738,516

(i) Revenue is recognised on the basis of proportion of the cost incurred to the date to the total estimated cost of the projects. The reconciliation of revenue for the year is as follows:

	AED
Total value of contracts signed as at 31 December 2020	9,096,670,548
Revenue recognised prior to 1 January 2020 on percentage of completion	(7,431,832,430)
Revenue recognised for the year ended 31 December 2020 on percentage of completion	(654,508,933)
Revenue to be recognised up to the completion of the projects	1,010,329,185
Total value of contracts signed as at 31 December 2019	9,119,221,906
Revenue recognised prior to 1 January 2019 on percentage of completion	(6,506,204,267)
Revenue recognised for the year ended 31 December 2019 on percentage of completion	(925,628,163)
Revenue to be recognised up to the completion of the projects	1,687,389,476

22 Revenue (continued)

The reconciliation of the cost incurred for the year is as follows:

	2020 AED	**2019** AED
Costs incurred to date	5,103,892,574	4,706,937,071
Estimated costs to complete	797,555,797	1,194,511,300
Total estimated costs	5,901,448,371	5,901,448,371

23 Other income

	2020 AED	**2019** AED
Income on cancellation (Note 16)	41,620,993	34,073,744
Administrative income	6,977,596	29,325,584
	48,598,589	63,399,328

24 Direct costs

	2020 AED	**2019** AED
Cost of construction services (Note 8)	341,846,651	465,757,004
Food and beverages	5,532,468	11,510,496
Staff costs (Note 26)	3,542,994	8,551,552
	350,922,113	485,819,052

25 Operating expenses

	2020 AED	**2019** AED
Staff costs (Note 26)	148,926,640	236,313,478
Marketing expenses	62,608,298	126,787,988
Amortization (Note 7)	44,033,695	46,345,267
Depreciation on property and equipment (Note 5)	16,896,671	18,581,630
Professional and legal fees	8,214,382	13,507,542
Communication	5,730,715	10,960,540
Information technology costs	5,225,075	6,019,472
Depreciation on right-of-use asset (Note 6)	3,827,431	3,102,070
Rent	3,660,723	7,749,151
Bank charges	2,489,841	3,480,614
Travel and transportation	2,428,153	10,370,915
Others	11,614,275	22,590,712
	315,655,899	505,809,379

26 Staff costs

	2020 AED	2019 AED
Salaries	131,461,801	216,403,060
Other staff benefits	15,403,819	23,145,108
Employees' end of service benefits (Note 15)	5,604,014	5,316,862
	152,469,634	244,865,030
Analysed as follows:		
Operating expenses (Note 25)	148,926,640	236,313,478
Direct costs (Note 24)	3,542,994	8,551,552
	152,469,634	244,865,030

27 Finance costs

	2020 AED	2019 AED
Unwinding on payable for acquisition of subsidiaries	45,356,780	54,557,446
Unwinding on payable for land acquisition	37,139,791	34,736,337
Interest expense/profit on sukuk notes	54,881,124	21,405,469
Interest on bank facilities	1,156,951	16,451,729
Transactions and other finance costs	3,114,703	20,877,432
Interest expense on lease liability	243,697	258,963
	141,893,046	148,287,376

28 Financial instruments by category

	2020 AED	2019 AED
Financial assets as per consolidated statement of financial position		
Loans and receivables		
Trade and other receivables (excluding prepayments and advances to suppliers and contract assets) (Note 10)	625,173,208	622,138,649
Due from related parties (Note 9)	9,461,794	7,033,653
Cash and bank balances (Note 11)	300,395,484	360,585,610
	935,030,486	989,757,912

	2020 AED	2019 AED
Financial liabilities as per consolidated statement of financial position		
Other financial liabilities at amortized cost		
Trade and other payables (excluding VAT payable) (Note 17)	1,239,920,875	1,230,092,120
Lease liabilities (Note 18)	2,582,790	6,164,189
Sukuk notes (Note 20)	471,703,806	443,874,110
Payable for acquisition of subsidiaries (Note 21)	383,020,535	337,663,755
Due to related parties (Note 9)	913,459	702,372
Borrowings (Note 19)	28,469,355	30,438,240
	2,126,610,820	2,048,934,786

29 Commitments

The Group has project commitments related to the below projects. These commitments represent the value of contracts issued as at 31 December net of advances recorded and accruals as of that date.

	2020 AED	2019 AED
Projects		
Ciel	574,875,000	16,546,776
The One JVT	20,601,687	81,156,706
Sky Bay	3,060,000	31,152,000
Dolphin Bay	2,940,000	21,339,224
The One JVC	847,827	7,220,426
Avalon	-	32,089,399
The One Business Bay	-	31,155,947
	602,324,514	220,660,478

The Group has the following bank guarantees as at 31 December 2020 and 2019:

- AED 5 million bank guarantee issued to the benefit of the Department of Economic Development (DED).
- AED 25 million bank guarantee, in relation to the construction of The One Jumeirah Village Triangle (JVT). This amounts to 20% of the total project cost and issued to the benefit of Dubai Real Estate Regulatory Authority ("RERA").

30 Net cash/(debt) reconciliation

	2020 AED	2019 AED
Cash and cash equivalents	295,295,484	327,009,977
Sukuk notes	(471,703,806)	(443,874,110)
Borrowings – repayable within one year	(6,506,292)	(1,994,465)
Borrowings – repayable after one year	(21,963,063)	(28,443,775)
Net debt	(204,877,677)	(147,302,373)

	Liabilities from financing activities			Other assets	
	Borrowings (Note 19)	Sukuk notes (Note 20)	Lease liabilities	Cash and cash equivalents (Note 11)	Total
	AED	AED	AED	AED	AED
Net debt as at 1 January 2020	(30,438,240)	(443,874,110)	6,164,189	327,009,977	(141,138,184)
Payment of borrowing	1,968,885	-	-	-	1,968,885
Additions to sukuk (Note 20)	-	(27,829,696)	-	-	(27,829,696)
Principal elements of lease payments	-	-	(4,092,093)	-	(4,092,093)
New leases	-	-	2,349,404	-	2,349,404
Net disposals	-	-	(1,838,710)	-	(1,838,710)
Cashflows, net	-	-	-	(31,714,493)	(31,714,493)
Net debt as at 31 December 2020	(28,469,355)	(471,703,806)	2,582,790	295,295,484	(202,294,887)

30 Net cash/(debt) reconciliation (continued)

	Liabilities from financing activities			Other assets	
	Borrowings (Note 19)	**Sukuk notes (Note 20)**	**Lease liabilities**	**Cash and cash equivalents (Note 11)**	**Total**
	AED	AED	AED	AED	AED
Net cash as at 1 January 2019	(300,257,566)	-	1,189,058	381,630,094	82,561,586
Payment of borrowing	299,819,326	-	-	-	299,819,326
Proceeds from borrowings	(30,000,000)	-	-	-	(30,000,000)
Issuance of sukuk notes	-	(443,874,110)	-	-	(443,874,110)
Principal elements of lease payments	-	-	(2,948,222)	-	(2,948,222)
New leases	-	-	7,923,353	-	7,923,353
Cashflows, net	-	-	-	(54,620,117)	(54,620,117)
Net debt as at 31 December 2019	(30,438,240)	(443,874,110)	6,164,189	327,009,977	(141,138,184)

31 Segment information

The Group has broadly three reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors. The following summary describes the operation in each of the Group's reportable segments.

Real estate development	*development of real estate for sale*
Sales and marketing	*selling and marketing operations*
Food and beverage	*restaurant and retail operations*

Information regarding the operations of each segment is included hereafter. Performance is measured based on segment revenue and profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries.

31 Segmental information (continued)

There are a few transactions between the segments and such transaction are carried out on arm's length basis and are eliminated on consolidation.

	Sales and Marketing		Real estate development		Food and beverage		Intercompany eliminations		Totals	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Revenue	-	18,801,874	654,508,933	925,628,163	21,516,648	45,327,700	-	-	676,025,581	989,757,737
Selling and marketing income	157,894,466	275,719,019	-	-	-	-	(158,146,278)	(275,719,019)	(251,812)	-
Other income	3,448,923	5,157,362	47,978,552	56,463,974	-	777,991	-	-	51,427,475	62,399,327
Total income	161,343,389	299,678,255	702,487,485	982,092,137	21,516,648	46,105,691	(158,146,278)	(275,719,019)	727,201,244	1,052,157,064
Direct cost	(13,773,694)	-	(334,914,375)	(454,175,051)	(5,532,468)	(11,510,496)	(169,844)	(3,374,804)	(354,390,381)	(469,060,351)
Operating expenses	(211,073,624)	(395,989,459)	(163,204,159)	(230,831,493)	(33,890,701)	(48,543,551)	159,162,511	225,107,599	(249,005,973)	(450,256,904)
Impairment	-	-	-	-	-	(3,584,125)	-	-	-	(3,584,125)
Loss allowance on trade and unbilled receivables	-	-	(68,889,562)	(12,771,468)	-	-	-	-	(68,889,562)	(12,771,468)
Other expenses	-	-	(2,828,886)	-	-	-	-	-	(2,828,886)	-
Total expenses	(224,847,318)	(395,989,459)	(569,836,982)	(697,778,012)	(39,423,169)	(63,638,172)	158,992,667	221,732,795	(675,114,802)	(935,672,848)
Finance income	2,366,052	2,368,247	18,572,500	147,126,169	-	-	(20,938,552)	(20,940,743)	-	128,553,673
Finance costs	(15,233,984)	(18,281,248)	(39,981,163)	(66,826,783)	(3,609,996)	(3,609,996)	20,938,552	20,940,743	(37,886,591)	(67,777,284)
Profit/(loss) for the year	(76,371,861)	(112,224,205)	111,241,840	364,613,511	(21,516,517)	(21,142,477)	846,389	(53,986,224)	14,199,851	177,260,605
Assets	634,148,840	1,189,568,294	2,181,095,206	3,425,808,217	298,718,335	317,073,775	(1,082,911,700)	(2,801,429,339)	2,031,050,681	2,131,020,947
Liabilities	893,447,933	1,372,495,526	1,488,503,727	2,844,458,583	93,326,389	90,165,316	(835,513,478)	(2,582,209,169)	1,639,764,572	1,724,910,256

The Group does not have any operations outside of UAE and has no major external customers amounting to 10% or more of the segment's revenue.

31 Segment information (continued)

The following are the reconciliation to show consolidated balances with reportable segments:

	2020 AED	**2019** AED
Total profit of reportable segments	14,199,851	177,260,605
Profit of non-reportable segments	702,182	1,995,553
Impairment of property and equipment and intangible assets	(34,992,967)	(133,503,468)
Finance cost	(104,006,455)	(80,510,092)
Adjustments*	(51,819,707)	(58,325,968)
Share based payment expense	(2,710,980)	(2,347,570)
Remeasurement of liabilities for deferred consideration of payable for acquisition of subsidiaries	-	146,685,467
Profit for the year	(178,628,076)	51,254,527

** balances resulting from acquisition of subsidiaries in 2017*

	2020 AED	**2019** AED
Total assets of reportable segments	2,031,050,681	2,131,020,947
Assets of non-reportable segments	276,554,728	345,100,417
Adjustments*	768,948,187	808,807,494
Total assets as at 31 December	3,076,553,596	3,284,928,858

** balances resulting from acquisition of subsidiaries in 2017, revaluation of property and equipment and impairment*

	2020 AED	**2019** AED
Total liabilities of reportable segments	1,639,764,572	1,724,910,256
Liabilities of non-reportable segments	110,420,229	150,042,850
Sukuk notes	494,775,000	494,775,000
Adjustments*	396,277,340	350,920,569
Total liabilities as at 31 December	2,641,237,141	2,720,648,675

** balances resulting from acquisition of subsidiaries in 2017*