DRAKE AND SCULL INTERNATIONAL PJSC & ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Consolidated financial statements for the year ended 31 December 2019

Drake & Scull

REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL ACTIVITIES

Drake & Scull International PJSC is preliminary engaged in engineering, integrated design and construction disciplines of engineering, civil contracting and water and power infrastructure.

RESULTS

For the year ended 31 December 2019, the Group recorded revenue of AED 681 million (2018: AED 798 million). The net profit for the year was AED 262 million (2018: net loss AED 5,093 million).

Looking ahead our main focus will be to restructure our debt and equity for which a comprehensive plan is in progress.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors for the ensuing year will be put to the members at the Annual General Meeting.

For and on Behalf of the Board of Directors

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Chairman

8 June 2020

Dubai, United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Drake and Scull International P.J.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Basis for disclaimer of opinion

1. *Opening balances*
   We issued a disclaimer of opinion on the consolidated financial statements of the Group as of, and for the year ended, 31 December 2018 as a result of a number of significant and pervasive audit issues. As opening balances enter into the determination of the results for the current year, and in the absence of any practicable alternative audit procedures that we could carry out in this regard, we were unable to ascertain whether any misstatement in those balances would have had a material impact on the consolidated statements of income, other comprehensive income and cash flows for the year ended 31 December 2019.

2. *Audit of the results of subsidiaries disposed off*
   As disclosed in note 35 to the accompanying consolidated financial statements, the Group has disposed of its interests in a number of subsidiaries the results for the year of which and loss on disposal included in the consolidated income statement amounted to AED 153 million and AED 637 million, respectively. We were not provided with audited financial information for those subsidiaries for the period up to the date of disposal and, accordingly, were unable to obtain sufficient appropriate audit evidence with regard to their results for the year and loss on disposal included in the consolidated income statement for the year ended 31 December 2019.

3. *Reporting of a material subsidiary in Qatar*
   As detailed in note 34, included in the accompanying consolidated financial statements is a provision of AED 789 million relating to the Group's subsidiary in Qatar over which the Group has lost control. We were not provided with sufficient appropriate audit evidence to audit the completeness and accuracy of balances relating to the subsidiary for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Basis for disclaimer of opinion (continued)

4. *Bank confirmations*
   We were unable to obtain direct bank confirmations for bank balances and bank liabilities included in the consolidated statement of financial position of AED 43 million and AED 842 million as of 31 December 2019, respectively. In the absence of any practicable audit procedures that we could perform in respect of this matter, we were unable to conclude on the completeness and accuracy of these balances, and related liabilities, commitments and contingent liabilities, if any, as of 31 December 2019.

5. *Going concern assessment*
   As detailed in note 2 to the consolidated financial statements, the Group's accumulated losses as of 31 December 2019 amounted to AED 5,005 million, and its current liabilities exceeded its current assets by AED 4,183 million. Furthermore, the Group had negative cash flow from operations of AED 524 million for the year ended 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

   The accompanying consolidated financial statements, however, have been prepared on a going concern basis, based on a restructuring plan developed by management in consultation with the board of directors of the Company and approval of the shareholders as detailed in note 2. The Group's going concern assumption, and the impact of the restructuring plan on its consolidated financial statements as of 31 December 2019, are highly dependent on the successful execution of the plan, including approval by lenders, regulators and other relevant stakeholders, and hence cannot be determined at this stage.

The consolidated financial statements for the year ended 31 December 2018 were also disclaimed in respect to the above and other matters.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DRAKE AND SCULL INTERNATIONAL P.J.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements
Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

Report on other legal and regulatory requirements

Because of the significance of the matters described in the *Basis for disclaimer of opinion* section of our report, we are unable to provide an opinion on other legal and regulatory requirements.

For Ernst & Young

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

9 June 2020

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*31 December 2019 AED'000*	*31 December 2018 AED'000*
ASSETS			
Non-current assets			
Property and equipment	5	**45,459**	201,638
Investment property	6	**100,000**	-
Right-of-use assets	7	**7,453**	-
Deferred income tax assets	9	**15,106**	12,397
Equity accounted investments	10	**6,251**	-
Non-current financial assets	11	-	551
Trade and other receivables	13	**95,836**	186,937
		270,105	401,523
Current assets			
Inventories	12	**541**	19,064
Trade and other receivables	13	**235,958**	1,058,378
Due from related parties	14	**43,265**	62,964
Financial assets at fair value through profit or loss	15	**1,058**	1,887
Cash and bank balances	16	**79,789**	154,971
Equity accounted investments	10	-	96,000
Development properties		-	7,525
		360,611	1,400,789
Assets held for sale	33	**1,585**	111,132
		362,196	1,511,921
TOTAL ASSETS		**632,301**	1,913,444
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**1,070,988**	1,070,988
Share premium	17	**3,026**	3,026
Statutory reserve	18	**125,760**	125,760
Other reserve	19	-	24,543
Accumulated losses		**(5,005,382)**	(4,942,918)
Foreign currency translation reserve		**(58,604)**	(63,728)
Equity attributable to equity holders of the parent		**(3,864,212)**	(3,782,329)
Non-controlling interests	36	**(123,684)**	(966,593)
Deficiency of assets		**(3,987,896)**	(4,748,922)
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	-	295,479
Employees' end of service benefits	21	**69,320**	113,724
Lease liabilities	7	**5,778**	-
		75,098	409,203

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2019

	Notes	***31 December 2019 AED'000***	*31 December 2018 AED'000*
Current liabilities			
Provision for bank liabilities of subsidiaries	22b	**723,379**	12,192
Bank borrowings	20	**1,788,343**	1,937,626
Trade and other payables	22a	**1,039,184**	3,048,323
Due to related parties	14	**34,376**	80,057
Lease liabilities	7	**1,429**	-
Provision for loss of control over subsidiaries	34	**813,407**	709,405
		4,400,118	5,787,603
Liabilities associated with discontinued operations	33	**144,981**	465,560
		4,545,099	6,253,163
Total liabilities		**4,620,197**	6,662,366
TOTAL EQUITY AND LIABILITIES		**632,301**	1,913,444

The consolidated financial statements were approved by the Board of Directors on 8 June 2020 and signed on its behalf by:

Chairman

Acting CEO & Group CFO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	***2019 AED'000***	*2018 AED'000*
Continuing operations			
Revenue from contracts with customers	4,23	**681,494**	798,253
Cost of revenue	23	**(673,489)**	(1,750,492)
Gross profit/(loss)		**8,005**	(952,239)
Other income	25	**133,294**	18,196
General and administrative expenses	26	**(497,502)**	(1,397,546)
Share of results of joint venture	10	**6,251**	-
Provision of expected credit loss on trade and other receivables	13	**(57,918)**	(2,101,877)
Reversal of expected credit loss provisions related to disposed of subsidiaries	13	**1,517,778**	-
Loss on disposal of subsidiaries	35	**(636,861)**	-
Provision related to subsidiaries with loss of control	34	**(114,662)**	(387,639)
Finance income		**546**	1,939
Finance costs	27	**(121,562)**	(111,237)
Profit/(loss) before tax from continuing operations		**237,369**	(4,930,403)
Income tax expense and zakat	9	**(3,070)**	(12,738)
Profit/(loss) from continuing operations		**234,299**	(4,943,141)
Discontinued operations			
Profit/(loss) after tax from discontinued operations	33	**27,882**	(149,805)
PROFIT/(LOSS) FOR THE YEAR		**262,181**	(5,092,946)
Attributable to:			
Equity holders of the parent		**(87,007)**	(4,501,273)
Non-controlling interests		**349,188**	(591,673)
		262,181	(5,092,946)
Loss per share			
Basic and diluted (AED)	28	**(0.08)**	(4.20)

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019 AED'000***	*2018 AED'000*
Profit /(loss) for the year		**262,181**	(5,092,946)
Other comprehensive income items that would be reclassified subsequently to profit or loss			
Currency translation differences		**3,521**	3,654
Exchange difference transferred to profit and loss on disposal of foreign operation (Note 35)		**1,603**	-
Other comprehensive income for the year		**5,124**	3,654
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**267,305**	(5,089,292)
Attributable to:			
Equity holders of the parent		**(81,883)**	(4,497,619)
Non-controlling interests		**349,188**	(591,673)
		267,305	(5,089,292)

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the equity holders of the parent								
	Share capital AED'000	*Share premium AED'000*	*Statutory reserve AED'000*	*Other reserve AED'000*	*Accumulated losses AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non -controlling interests AED'000*	*Total AED'000*
Balance at 1 January 2019	1,070,988	3,026	125,760	24,543	(4,942,918)	(63,728)	(3,782,329)	(966,593)	(4,748,922)
Profit/(Loss) for the year	-	-	-	-	(87,007)	-	(87,007)	349,188	262,181
Other comprehensive income for the year	-	-	-	-	-	5,124	5,124	-	5,124
Total comprehensive income/(loss) for the year	-	-	-	-	(87,007)	5,124	(81,883)	349,188	267,305
Disposal of subsidiaries (Notes 19 & 35)	-	-	-	(24,543)	24,543	-	-	493,721	493,721
Balance at 31 December 2019	**1,070,988**	**3,026**	**125,760**	**-**	**(5,005,382)**	**(58,604)**	**(3,864,212)**	**(123,684)**	**(3,987,896)**
Balance at 31 December 2017	1,070,988	3,026	125,760	24,543	(460,769)	(67,382)	696,166	(344,517)	351,649
Reclassification	-	-	-	-	30,403	-	30,403	(30,403)	-
Balance at 31 December 2017	1,070,988	3,026	125,760	24,543	(430,366)	(67,382)	726,569	(374,920)	351,649
Impact of changes in accounting policies	-	-	-	-	(11,279)	-	(11,279)	-	(11,279)
Balance at 1 January 2018	1,070,988	3,026	125,760	24,543	(441,645)	(67,382)	715,290	(374,920)	340,370
Loss for the year	-	-	-	-	(4,501,273)	-	(4,501,273)	(591,673)	(5,092,946)
Other comprehensive income for the year	-	-	-	-	-	3,654	3,654	-	3,654
Total comprehensive income/ (loss) for the year	-	-	-	-	(4,501,273)	3,654	(4,497,619)	(591,673)	(5,089,292)
Balance at 31 December 2018	1,070,988	3,026	125,760	24,543	(4,942,918)	(63,728)	(3,782,329)	(966,593)	(4,748,922)

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*For the year ended 31 December* **2019** ***AED'000***	*2018* *AED'000*
Operating activities			
Profit/(loss) before tax from continuing operations		**237,369**	(4,930,403)
Profit/loss) before tax from discontinued operations	33	**27,882**	(149,805)
Profit before tax		**265,251**	(5,080,208)
Adjustments for:			
Depreciation	5	**21,909**	31,008
Impairment of property and equipment	5	**18,077**	36,085
Amortisation of intangible assets	8	**-**	29,361
Impairment of goodwill	8	**-**	901,230
Provision for employees' end of service benefits	21	**6,927**	16,704
Finance cost	27	**130,717**	217,943
Fair value loss on financial assets at fair value through profit or loss	15	**829**	1,601
(Gain)/loss on disposal of property and equipment		**(976)**	3,472
Loss/(gain) on disposal of investments		**5,875**	(4,872)
Interest in equity accounted investment	10	**(6,251)**	-
Provision for legal cases	26	**107,877**	-
Provision for impairment of amounts due from associates	26	**-**	188,480
Provision for impairment of amounts due from related parties	26	**29,618**	-
Provision against bond encashment		**137,145**	96,483
Finance income		**(546)**	(1,939)
Loss on disposal of subsidiaries	35	**636,861**	-
Impairment of development properties	26	**5,275**	-
Depreciation of right-of-use asset	7	**1,699**	-
Write back of provisions	25	**(129,503)**	-
Trade and other receivables written off	26	**93,615**	-
		1,324,399	(3,564,652)
Changes in working capital:			
Inventories	12	**2,410**	9,099
Trade and other receivables		**(1,374,727)**	3,313,396
Trade and other payables (excluding income tax and interest payable)		**(496,279)**	(98,857)
Due to / from related parties	14	**59,114**	32,050
		(485,083)	(308,964)
Payment of employees' end of service benefits	21	**(33,395)**	(25,321)
Income tax paid		**(5,779)**	(3,745)
Net cash (used) in operating activities			
- Continuing operations		**(524,257)**	(338,030)
- Discontinued operations	33	**46**	-
		(524,211)	(338,030)

The attached notes 1 to 38 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019

		For the year ended 31 December	
	Notes	***2019 AED'000***	*2018 AED'000*
Investing activities			
Purchase of property and equipment	5	**(1,366)**	(3,374)
Proceeds from disposal of property and equipment	5	**5,124**	3,215
Proceeds from disposal of investments		**-**	34,872
Proceeds from disposal of investment in an associate	10	**90,125**	-
Proceeds from disposal of subsidiaries	35	**28,757**	-
Provision for subsidiaries with loss of control		**78,340**	-
Interest received		**546**	-
Net cash generated from investing activities		**201,526**	34,713
Financing activities			
Term deposits under lien		**35,801**	138,885
Proceeds from trust receipts and other borrowings	20	**537,311**	23,081
Proceeds from term loans	20	**19,998**	186,147
Bank liabilities of subsidiaries		**114,228**	-
Payment of term loans	20	**(44,271)**	(72,540)
Net cash generated from financing activities			
- Continuing operations		**663,067**	275,573
- Discontinued operations	33	**19,435**	-
		682,502	275,573
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**359,817**	(27,744)
Net foreign currency translation difference		**5,344**	3,654
Cash and cash equivalents at the beginning of the year		**(459,224)**	(435,134)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	**(94,063)**	(459,224)

The attached notes 1 to 38 form part of this consolidated financial statements.

1 CORPORATE INFORMATION

Drake and Scull International PJSC (the "Company" or the "Parent Company") was incorporated on 16 November 2008 and was registered on 21 January 2009 as a Public Joint Stock Group and currently operates in accordance with the UAE Federal Law No. (2) of 2015. The Company is listed on Dubai Financial Market.

The address of the Company's registered office is PO Box 65794, Dubai, United Arab Emirates.

The principal activities of the Company and its subsidiaries (together, the "Group") are carrying out contracting work relating to the construction industry, such as electrical, plumbing, oil and gas, air conditioning and sanitation work in the Middle East, Europe, Asia and North Africa region.

The Group has either directly or indirectly the shareholding in following major subsidiaries:

		Shareholding %		
Major Subsidiaries	***Principal activities***	***31 December 2019***	*31 December 2018*	***Country of incorporation***
Drake & Scull International LLC (Abu Dhabi)	Contracting work related to mechanical, electrical and sanitary engineering	**100**	100	UAE
Gulf Technical Construction Group LLC *	Mechanical, electrical and civil construction work	**-**	91	UAE
Drake & Scull Engineering formerly Drake & Scull Water and Power LLC	Engineering, procurement and construction of Water and Power Infrastructure projects	**100**	100	UAE
Drake & Scull International (Qatar) WLL **	Mechanical, electrical and plumbing activities	**100**	100	Qatar
Passavant Energy & Environment and its subsidiaries (a subsidiary of Passavant Engineering Limited)	Developing wastewater, water and sludge treatment plants	**100**	100	Germany
Drake & Scull International Saudia Group Limited*	Implementation of construction contracts, operation and maintenance of electrical and mechanical installations and related activities	**-**	59	Saudi Arabia
Drake & Scull International for Electrical Contracting WLL	Mechanical, Electrical contracting and repairing work relating to the construction industry	**100**	100	Kuwait
International Center for Contracting Co. Ltd *	Contracting work relating to the construction industry	**-**	91	Saudi Arabia
Drake & Scull Construction Group LLC *	Contracting work relating to the construction industry	**-**	91	Saudi Arabia
Drake & Scull International for Contracting SAE	Contracting work relating to mechanical, electrical and sanitary engineering	**100**	100	Egypt
Drake & Scull International LLC (Oman)	Contracting work related to mechanical, electrical and sanitary engineering	**51**	51	Oman

* During the year, Group disposed of its holdings in these subsidiaries (refer Note 35).

** During the year ended 31 December 2018, the Group administratively and operationally lost control over its subsidiary in Qatar.

Group is operates in various jurisdictions such as Algeria, Jordan and Iraq through branches of the Company or any of its subsidiaries.

1 CORPORATE INFORMATION (continued)

The Group, through Drake and Scull International LLC – Abu Dhabi has a 90% interest in MEP JV, a joint venture with Itinera SpA – Abu Dhabi and Ghantoot Transport General Contracting LLC under a joint arrangement agreement dated 12 November 2018. This is classified as joint venture in these consolidated financial statements.

The Group, through Drake and Scull International for Contracting SAE has a 50% interest in a jointly controlled entity with Hassan Allam Sons (Misr Sons Development S.A.E) under a joint arrangement agreement dated 21 July 2011. This is classified as joint operation in these consolidated financial statements.

Drake and Scull International PJSC has a 51% interest in a joint venture with Al Habtoor Specon LLC (DSI-HLS Joint Venture) under a joint arrangement agreement dated 17 April 2013. The joint venture agreements in relation to the DSI-HLS Joint Venture require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

Drake and Scull Engineering LLC has a 49% interest in a jointly controlled entity with Al Habtoor Specon LLC (HLS-DSE Joint Venture) under a joint arrangement agreement dated 1 May 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 33% interest in a jointly controlled entity with Equipment Sales and Service Company, and Hinnawi Contracting Company under a joint arrangement agreement dated 09 December 2012. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 35% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 31 October 2013. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 99% interest in a jointly controlled entity with Acciona Agua SA under a joint arrangement agreement dated 01 June 2017. This is classified as joint operation in these consolidated financial statements.

The Group, through Passavant Energy & Environment GmbH has a 50% interest in a jointly controlled entity with Larsen & Toubro Limited under a joint arrangement agreement dated 12 October 2016. This is classified as joint operation in these consolidated financial statements.

The Group's interest in certain joint ventures during 2018 held through the entities disposed are included as part of financial information mentioned under Note 35.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis in view of the restructuring initiatives undertaken during the year ended 31 December 2018 and 2019.

The Group has earned a profit of AED 262 million during the year ended 31 December 2019 (31 December 2018: loss of AED 5,093 million), and as of that date, its current liabilities exceeded its current assets by AED 4,183 million (2018: AED 4,741 million). Furthermore, the Group had negative cash flow from operating activities of AED 524 million for the year ended 31 December 2019 (2018: AED 338 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any liabilities which might arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. However, these consolidated financial information, have been prepared on a going concern basis based on the developments related to restructuring. The restructuring process was initiated by the Group following the reporting of significant losses in the third quarter of 2018. At that point, the Board of Directors ("Board") approved the formation of a Restructuring Committee ("RSC") to develop a comprehensive restructuring plan. During the last quarter of 2018, the Company appointed financial advisors, legal advisors and consultants to carry out an Independent Business Review. During 2019, additional financial advisors and legal advisors were appointed (consultants and advisors are collectively referred to as the "Advisors").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 GOING CONCERN (continued)

Throughout 2019, the Board, Management and the Advisors worked on implementing the pillars of the restructuring strategy as approved by the Board. This was subsequently presented to the Shareholders and approved at the General Assembly Meeting on 7 May 2019. Once approved, this became the foundation for the strategic direction and the associated future business plan.

Moreover, the Group focused on engaging with all stakeholders including the regulators, lenders, creditors and the employees in terms of the various initiatives that the Group has been undertaking. The Group initiated discussions with the lenders. Four of the largest lenders formed an Adhoc Committee ("AHG") so as to discuss the financial changes required to return the Group back to profitability over time. The Group also conducted an exhaustive exercise to establish the details of the trade creditors.

On the operational side, the Group focused its efforts on reducing its operating costs and addressing legacy projects that had significant cashflow or profitability issues. Moreover, the Group embarked on implementing the Board's strategic objectives, as approved at the Shareholder meeting, to exit non-core operations and markets.

Further during 2019, the Business Plan was developed by management with the support of the Group's Advisors and approved by the Board (the "Business Plan") at end of third quarter of 2019. However, considering the Covid-19 situation, the Business Plan is now being reviewed and updated by management and the Group's Advisors. There were several meetings with the AHG and a number of all Bank meetings. The Company and its Advisors have been discussing and negotiating the terms of potential restructuring transaction with the AHG which are yet to be finalised.

2.2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), since this is the currency of the country in which the company is domiciled. All values are rounded to the nearest thousands (000') except otherwise mentioned.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 BASIS OF CONSOLIDATION (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. There is no impact on the profit and loss of the comparative period and total equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Equity accounted investment
The Group's investment is accounted for using the equity method of accounting. Under the equity method, the investment in joint venture/ associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the investment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the investment. Where there has been a change recognised directly in the equity of the investment, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investment are eliminated to the extent of the interest in the investment.

The Group's share of profit of an equity accounted investment is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders and, therefore, is profit after tax and non-controlling interests of the equity accounted investment.

The financial statements of the equity accounted investment are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's equity accounted investment. The Group determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investment and its carrying value and recognises the amount in the consolidated statement of comprehensive income in 'share of results of an equity accounted investment'.

The consolidated financial statements of the Group include the following equity accounted investment:

Name of equity accounted investment and domicile	*% Holding*		*Principal activities*
	2019	*2018*	
MEP Joint Venture, Abu Dhabi	**90%**	90%	Mechanical, electrical and plumbing work

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

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

2.4.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the consolidated statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

There is no significant impact in the consolidated statement of comprehensive income and consolidated statement of cash flows.

The Group has lease contracts for various office spaces and land. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Leases section for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

2.4.1 IFRS 16 Leases (continued)

The Group also applied the available practical expedients wherein it:
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, the effect of adoption of IFRS 16 as at 1 January 2019 (increase / (decrease)) is as follows:

	As at 31 December 2018 AED '000	*IFRS 16 Impact AED '000*	*As at 1 January 2019 AED '000*
Assets			
Right-of-use-assets	-	7,051	7,051
Liabilities			
Lease liabilities	-	7,051	7,051
Total adjustment on Equity:			
Accumulated losses	(4,942,918)	-	(4,942,918)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	AED'000
Operating lease commitments as at 31 December 2018	**16,511**
Add: additional lease commitments as a result of expected extension lease term	**6,791**
Total operating lease commitments subject for discounting	**23,302**
Weighted average incremental borrowing rate as at 1 January 2019	**8%**
Lease liabilities as at 1 January 2019	**7,051**

For the year ended 31 December 2019:
- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets). This resulted in increase in general and administrative expenses of AED 1,699 thousand.
- Rent expense included in general and administrative expenses, relating to previous operating leases, decreased by AED 1,672 thousand.
- Finance costs increased by AED 475 thousand relating to the interest expense on additional lease liabilities recognised.
- Cash outflows from operating activities decreased by AED 1,672 thousand and cash outflows from financing activities increased by AED 475 thousand relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)
The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2018 Cycle (issued in December 2018)
IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Entity's current practice is in line with these amendments, the Entity does not expect any effect on its consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Annual Improvements 2015-2018 Cycle (issued in December 2018) (continued)
IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts – applicable from 1 January 2021
- Amendments to IFRS 3: Definition of a Business – applicable from 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material – applicable from 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate Benchmark Reform – applicable from 1 January 2020
- Amendments to IAS 1: Classification of liabilities as current or non-current – applicable from 1 January 2022

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE: (continued)

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements as the Group typically controls the goods or services before transferring to the customer. The following specific recognition criteria must also be met before revenue is recognised:

Contract revenue
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring to the customer.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The standard introduces a 5-step approach to revenue recognition:
- Step 1 Identify the contract with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue as and when the entity satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)
The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has concluded that for certain of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over the period of time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

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.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost of complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

A loss is recognised in the consolidated statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

The Group combines two or more contracts entered into at or near the same time with the same customer and accounts for the contracts as a single contract if one or more of the following criteria are met:

- The two or more contracts entered into at or near the same time with the same customer are negotiated as a package, with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

If the above criteria is met, the arrangements are combined and accounted for a single arrangement for revenue recognition.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

Contract costs
Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in general and administrative expenses.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value-added Tax (VAT)
Expenses, and assets are recognized net of the amount of VAT, except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Group's shareholders.

Interest income
Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

Buildings	over 5-10 years
Machinery	over 2-5 years
Furniture, fixtures and office equipment	over 2-5 years
Motor vehicles	over 3-5 years

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are depreciated over a period of 15 years.

Intangible assets

(a) Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Parent Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or Groups of CGUs, The CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trade names
Trade names are shown at historical cost. Trade names have indefinite lives and are not amortised due to the minimal cost of renewal.

(c) Customer relationships
Acquired contractual customer relationships are initially recognised at fair value at the time of acquisition and subsequently carried at cost less accumulated amortisation. The contractual customer relationships have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over its estimated useful life of 10 years, which is the estimated period of benefit.

(d) Orders backlog
Acquired orders backlog is arrived at by calculating the present value of the expected future economic benefits to arise from those orders after deducting the contributory asset charge. Subsequently, orders backlog is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of orders backlog over its estimated useful life of 4 years, which is the estimated period of benefit.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Applicable from 1 January 2019

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 4 years
Building	18 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Applicable before 1 January 2019

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Costs are those expenses incurred in bringing each product to its present location and condition and are determined using the first-in, first-out method.

Net realisable value is based on estimated selling price less any further costs to be incurred on completion and disposal.

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

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

The Group's financial assets include cash and bank balances, trade and other receivables and amounts due from related parties.

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

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
Group's financial assets at amortised cost include:

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Accounts receivable
Accounts receivable are stated at original invoice less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

Due from related parties
Due from related parties are recognised at amortised costs less impairment losses, if any.

Cash and cash equivalents
Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes investment in real estate fund.

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

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

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

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade and other receivables, bank balance and due from related parties, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include bank overdrafts, lease liabilities, accounts payables, accruals, and provision for bank liabilities on disposal of subsidiaries and discontinued operations.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Due to related parties
Due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the related party or not.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

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

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or 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.

Development properties
Properties acquired, constructed or in the course of construction for sale are classified as development properties. Such properties are stated at the lower of cost and net realisable value. The cost of development properties includes the cost of land and other related expenditure which are recognised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in completing and selling the property. Any gains or losses on sale of development properties are included in other gain/(losses) in the consolidated statement of income.

Assets classified as held for sale
Assets classified as held for sale are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and management expect to complete the sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying amount and the fair value less costs to sell.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, included in equity attributable to the Group's equity holders.

Taxes
The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

Employees' end of service benefits
A provision is made for the estimated liability for employees' entitlements to annual leave and related benefits as a result of services rendered by the employees up to the consolidated statement of financial position date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the Labour Laws applicable in the countries in which the Group operates, for their periods of service up to the consolidated statement of financial position date.

With respect to its UAE national employees, the Group makes a provision for contributions to be made to the UAE Pension Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. These are dealt with as payments to defined contribution plans, where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

Foreign currency translation

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in the consolidated statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are recognised in other comprehensive income.

(c) Group entities
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

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 other comprehensive income.

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

Current versus non-current classification
The Group presents assets and liabilities in the separate statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated financial statement, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

3.1 Critical accounting estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

a) Cost-to-cost (input method) to measure progress of construction contracts

The Group uses the cost-to-cost (input method) in accounting for its construction contracts. At each reporting date, the Group is required to estimate the stage of completion and costs to complete on its construction contracts. This requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When the expected contract costs exceeds the total anticipated contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

(b) Contract variations and claims

Variation orders will have to be accounted for prospectively or as new contracts based on the nature and price of additional products and services requested through these variation orders. The Group includes variable consideration (including claims, re-measurable contract values and discounts) in the transaction price to which it expects to be entitled from the inception of the contract. The amount of variable consideration will have to be restricted to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment 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.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables including prepayments and amount due from customers on contracts. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

3 USE OF ESTIMATES AND JUDGMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

(e) Provision for expected credit losses on trade and other receivables (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 13.

As at the date of the statement of financial position, gross trade and other receivables including prepayments and amount due from customers on contracts were AED 1,052,237 thousand (2018: AED 4,227,199 thousand) and allowance against impairment was AED 712,502 thousand (2018: AED 2,970,518). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

(f) Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs such as the average interest rate on the bank overdraft i.e. 7% p.a.

4 SEGMENT REPORTING

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. Executive management assesses the performance of the operating segments based on revenue.

Business segments
For management purpose, the Group is organised into business units based on their services and has three reportable business segments; Engineering (Mechanical, Electrical and Plumbing), Civil and Others.

The Engineering segment carries out contracting work relating to the construction industry, such as mechanical, electrical, plumbing and sanitation work and contracting work relating to the construction industry, such as infrastructure, water treatment plants, district cooling plants and power plants.

The Civil works segment carries out contracting work relating to the construction industry, such as property construction, sanitation work and real estate activities.

Others segment represents a subsidiary carrying out contracting work in energy and environment industry and the corporate office which carries out strategic planning, management of all subsidiaries, treasury management, mergers and acquisition, corporate branding and investor relations. For segment information disclosure, goodwill and other intangible assets and their amortisation are disclosed under the relevant segment. Sales between segments are carried out at agreed terms. The revenue from external parties reported to the Executive management is measured in a manner consistent with that in the consolidated interim statement of income.

Geographical segments
Executive management considers the geographical distribution of the Group's operations into three main segments; UAE, Saudi Arabia and Others. The Group is presently engaged in carrying out contracting work relating to the construction industry mainly in the United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Egypt, Oman, Germany, Algeria, India, Iraq and Jordan.

Finance cost, finance income, other income are not allocated to individual segment as the underlying instruments are managed by the group.

4 SEGMENT REPORTING (continued)

Information about business segments

All figures in AED'000

	For the year ended 31 December 2019					*For the year ended 31 December 2018*				
	Engineering	***Civil***	***Others***	***Inter segment elimination***	***Total***	*Engineering*	*Civil*	*Others*	*Inter segment elimination*	*Total*
Revenue										
External customers	**247,088**	**276,060**	**158,346**	**-**	**681,494**	376,797	261,798	159,658	-	798,253
Inter- segment	**-**	**-**	**-**	**-**	**-**	(54,262)	-	318	53,944	-
	247,088	**276,060**	**158,346**	**-**	**681,494**	322,535	261,798	159,976	53,944	798,253
Segment profit / (loss)	**(136,691)**	**698,483**	**(327,493)**	**-**	**234,299**	(2,701,588)	(1,265,345)	(940,057)	(36,151)	(4,943,141)
Depreciation and amortisation	**7,448**	**9,226**	**6,934**	**-**	**23,608**	13,483	11,277	34,548	-	59,308
Capital expenditure	**303**	**272**	**791**	**-**	**1,366**	552	2,696	257	-	3,505
	At 31 December 2019					*At 31 December 2018*				
Segment total assets	**1,488,544**	**-**	**4,226,792**	**(5,084,620)**	**630,716**	1,474,609	1,061,310	4,384,597	(5,118,204)	1,802,312

4 SEGMENT REPORTING (continued)

Information about geographical segments

All figures in AED'000

	UAE	***Saudi Arabia***	***Others***	***Inter segment elimination***	***Total***
			For the year ended 31 December 2019		
Revenue from external customers	**115,402**	**266,688**	**299,404**	**-**	**681,494**
			For the year ended 31 December 2018		
Revenue from external customers	384,024	(27,144)	441,373	-	798,253
			31 December 2019		
Non-current assets	**1,485,419**	**-**	**241,239**	**(1,456,553)**	**270,105**
			31 December 2018		
Non-current assets	1,976,518	62,792	23,300	(1,661,087)	401,523

Reconciliation of assets:

	2019 AED'000	*2018 AED'000*
Segment assets	**630,716**	1,802,312
Assets held for sale	**1,585**	111,132
	632,301	1,913,444

5 PROPERTY AND EQUIPMENT

31 December 2019

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, Fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2019	243,261	170,286	84,705	21,553	2,019	521,824
Additions	4	291	1,051	20	-	1,366
Disposals	(3,511)	(30,108)	(10,522)	(10,376)	-	(54,517)
Transfers to investment property (Note 6)	(153,550)	-	-	-	-	(153,550)
Currency translation differences	(1)	(252)	(250)	(66)	(196)	(765)
Related to disposed subsidiaries	(6,878)	(106,177)	(30,138)	(6,739)	(456)	(150,388)
Impairment loss *	(18,077)	-	-	-	-	(18,077)
At 31 December 2019	**61,248**	**34,040**	**44,846**	**4,392**	**1,367**	**145,893**
Depreciation:						
At 1 January 2019	69,305	151,938	83,785	13,749	1,409	320,186
Charge for the year	14,893	6,240	(506)	1,282	-	21,909
Disposals	(2,349)	(28,932)	(8,712)	(10,376)	-	(50,369)
Transfers to investment property (Note 6)	(53,550)	-	-	-	-	(53,550)
Currency translation differences	-	(162)	(152)	(40)	(190)	(544)
Related to disposed subsidiaries	(6,735)	(97,109)	(29,985)	(3,355)	(14)	(137,198)
At 31 December 2019	**21,564**	**31,975**	**44,430**	**1,260**	**1,205**	**100,434**
Net carrying amount:						
At 31 December 2019	**39,684**	**2,065**	**416**	**3,132**	**162**	**45,459**

31 December 2018

	Land and buildings AED'000	*Machinery AED'000*	*Furniture, Fixtures and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2018	295,606	194,484	102,331	30,445	11,137	634,003
Additions	30	2,641	587	379	-	3,637
Disposals	(16,159)	(7,679)	(5,618)	(415)	-	(29,871)
Currency translation differences	(79)	(488)	(1,117)	(46)	(771)	(2,501)
Impairment loss *	(36,085)	-	-	-	-	(36,085)
Discontinued operations	(52)	(18,672)	(11,478)	(8,810)	(8,347)	(47,359)
At 31 December 2018	243,261	170,286	84,705	21,553	2,019	521,824
Depreciation:						
At 1 January 2018	73,161	165,753	86,719	17,444	8,908	351,985
Charge for the year	7,258	10,477	9,232	3,749	292	31,008
Disposals	(11,059)	(7,119)	(5,520)	(275)	(85)	(24,058)
Transfers	-	96	229	-	-	325
Currency translation differences	(51)	(931)	(687)	(81)	(482)	(2,232)
Discontinued operations	(4)	(16,338)	(6,188)	(7,088)	(7,224)	(36,842)
At 31 December 2018	69,305	151,938	83,785	13,749	1,409	320,186
Net carrying amount:						
At 31 December 2018	173,956	18,348	920	7,804	610	201,638

5 PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated in the consolidated statement of income as follows:

	2019	*2018*
	AED'000	*AED'000*
Cost of sales (Note 23)	**10,332**	12,775
General and administrative expenses (Note 26)	**11,577**	15,747
Related to discontinued operations	**-**	2,486
	21,909	31,008

Capital work-in-progress represents assets under construction.

* Impairment loss represents decrease in value of land and buildings held by the Group.

6 INVESTMENT PROPERTY

Movement in investment property during the year is as follows:

	2019
	AED'000
As at 1 January 2019	-
Transfers from property and equipment (Note 5)	100,000
As at 31 December 2019	**100,000**

Investment property represents the Group's investment in Campco's labour camp building located in Abu Dhabi, UAE. As at 31 December 2019, the Group has reassessed investment in labour camp building and treated the same as investment property due to a significant drop in number of its own labours utilising the camp building. The Group has assessed the fair value of the investment property as at date of transfer i.e. 31 December 2019 at AED 100 million which is based on a valuation performed by an accredited independent valuer. The valuation is prepared in accordance with Royal Institute of Chartered Surveyors (RICS) Global Standards 2020 (the 'Red Book') as published by the Royal Institution of Chartered Surveyors ("RICS") which incorporate the International Valuation Standards Council's International Valuation Standards.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Description of valuation techniques used and key inputs to valuation of investment property:

Valuation Technique	DCF Method
Significant unobservable inputs:	
- Growth rate	1.75% p.a. from 4th year
- Vacancy rate	17.5%
- Operational expenses	12%
- Discount rate	10%

The property was classified as investment property on 31 December 2019 and consequently, the Group has not earned any rental income from investment property for the year.

7 LEASES

Group as a lessee

The Group has lease contracts in relation to land, office premises and cars used in its operations. Leases of land, office premises and cars have remaining lease terms up to 18 years. The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased asset.

The Group also has leases of other assets with lease terms of 12 months or less and leases of office equipment with low-value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for those leases.

Below are the carrying amounts of the right-of-use assets recognized and movements during the year:

	Land 2019 AED'000
At 1 January 2019	**7,051**
Additions during the year	**2,101**
Depreciation charge for the year (Note 26)	**(1,699)**
At 31 December 2019	**7,453**

Set out below is the carrying amount of lease liabilities and the movement during the year:

	2019 AED'000
At 1 January 2019	**7,051**
Additions during the year	**2,101**
Accretion of interest (Note 27)	**475**
Lease payments	**(2,420)**
At 31 December 2019	**7,207**
Current	**1,429**
Non-current	**5,778**

Maturity analysis of lease liabilities are disclosed in Note 31.

The following are the amounts recognised in the consolidated income statement:

	2019 AED'000
Depreciation expense of right-of-use-assets	**1,699**
Interest expense on lease liabilities	**475**
Expense relating to short-term leases (Note 26)	**5,103**
Total amount recognised in consolidated income statement	**7,277**

The Group had total cash outflows for leases of AED 2,420 thousand during the year. The Group also had non-cash additions to right-of-use assets and lease liabilities of AED 2,101 thousand in 2019 upon adoption of IFRS 16. There are no leases that have not yet commenced at the reporting date.

The Group does not have leases that contains variable payments.

The Group has no lease contracts that include extension and termination options.

8 INTANGIBLE ASSETS

31 December 2019	*Goodwill AED'000*	*Trade name* AED'000*	*Customer relationships AED'000*	*Orders backlog AED'000*	*Total AED'000*
Cost:					
At 1 January 2019	844,447	86,246	335,552	16,779	1,283,024
At 31 December 2019	**844,447**	**86,246**	**335,552**	**16,779**	**1,283,024**
Amortisation and impairment:					
At 1 January 2019	844,447	86,246	335,552	16,779	1,283,024
At 31 December 2019	**844,447**	**86,246**	**335,552**	**16,779**	**1,283,024**
Net carrying amounts:					
At 31 December 2019	**-**	**-**	**-**	**-**	**-**

31 December 2018	*Goodwill AED'000*	*Trade name* AED'000*	*Customer relationships AED'000*	*Orders backlog AED'000*	*Total AED'000*
Cost:					
At 1 January 2018	844,447	86,246	335,552	16,779	1,283,024
At 31 December 2018	844,447	86,246	335,552	16,779	1,283,024
Amortisation and impairment:					
At 1 January 2018	29,463	-	306,191	16,779	352,433
Amortisation charge for the year	-	-	29,361	-	29,361
Impairment	814,984	86,246	-	-	901,230
At 31 December 2018	844,447	86,246	335,552	16,779	1,283,024
Net carrying amounts:					
At 31 December 2018	-	-	-	-	-

* Trade name represents "Drake and Scull" naming rights. Management believes that trade name is fully impaired due to accumulated losses of the Group.

The business units considered as Cash Generating Units ("CGUs") of the Group, for the purposes of assessment of impairment in the value of goodwill, are Engineering, Water and Waste Water and Civil. During 2018, management assessed that due to liquidity positions of the Group, the recoverable amount of entities is not certain hence impairment has been recorded.

9 INCOME TAX AND ZAKAT

The major components of income tax expense are:

	2019 AED'000	*2018 AED'000*
Current income tax expense:		
Current income tax and zakat charge	**3,070**	12,738
	3,070	12,738

9 INCOME TAX AND ZAKAT (continued)

The gross movement on the deferred income tax assets is as follows:

	2019	*2018*
	AED'000	*AED'000*
Deferred income tax assets:		
At 1 January	**12,397**	12,924
Additions	**2,968**	-
Exchange differences	**(259)**	(527)
At 31 December	**15,106**	12,397

Reconciliation of effective tax rate:

	2019	*2018*
	AED'000	*AED'000*
Effective tax rate from taxable operations		
Taxable profit for the year	**11,050**	45,493
Profit before tax from operations which are non-taxable	**340,981**	(4,588,257)
Profit before tax	**352,031**	(4,542,764)
Total income tax expense during the year	**3,070**	12,738
Effective tax rate on profit from operations which are taxable	**28%**	28%

10 EQUITY ACCOUNTED INVESTMENTS

Investment in Associates:
During the year, the Group has disposed of its holding in Wahat Al Zawya Holding PJSC for consideration of AED 90 million.

Movement in investment in associates is as follows:

	2019	*2018*
	AED'000	*AED'000*
At 1 January	**96,000**	284,480
Impairment	**-**	(188,480)
Sale proceeds during the year*	**(90,125)**	-
Loss on disposal (Note 26)	**(5,875)**	-
	-	96,000

* Sale proceeds are credited into an account operated in the name of a related party.

Interest in a Joint-Venture:
The Group has participating interest of 33.33% in MEP Joint Venture but- Abu Dhabi, a tri-party joint-venture for mechanical, electrical and plumbing work. The Group's interest in the Joint Venture is accounted for using equity method of accounting in these consolidated financial statements as the Group is entitled to 90% of the economic benefits (profits) in this joint venture. In the event of any losses, the same will be shared by the joint venture partners in their participating interest.

10 EQUITY ACCOUNTED INVESTMENTS (continued)

Interest in a Joint-Venture: (continued)
Summarised financial information related to joint venture and reconciliation to the carrying amount of investment in consolidated financial statements are set out below:

	2019 AED'000	*2018 AED'000*
MEP Joint Venture – Carrying value at 31 December	**6,251**	-

Movements in equity accounted investment is as follows:

	2019 AED'000	*2018 AED'000*
As at 1 January	-	-
Share of results for the year	**6,251**	-
As at 31 December	**6,251**	-

The joint venture had no other contingent liabilities or commitments as at 31 December 2019.

	2019 AED'000	*2018 AED'000*
Current assets	**263,901**	-
Total assets	**263,901**	-
Current liabilities	**251,591**	-
Total liabilities	**251,591**	-
Net assets	**12,310**	-
Total revenue	**155,763**	-
Profit for the year	**12,310**	-
Elimination of inter-company transaction	**(5,364)**	-
	6,946	-
Group's share of profit @ 90%	**6,251**	-

11 NON-CURRENT FINANCIAL ASSETS

	2019 AED'000	*2018 AED'000*
At 1 January	**551**	30,551
Disposals	**-**	(30,000)
On disposal of subsidiaries (Note 35)	**(551)**	-
	-	551

12 INVENTORIES

	2019 AED'000	2018 AED'000
Materials and consumables	**541**	19,064

Inventories comprise of materials and consumables which are used in carrying out contracting work relating to the construction industry, such as electrical and plumbing items.

The cost of the materials recorded in cost of revenue amounted to AED 186 million (2018: AED 468 million).

13 TRADE AND OTHER RECEIVABLES

	2019 AED'000	2018 AED'000
Non-current		
Trade receivables and retentions	**103,777**	198,303
Less: fair value adjustment*	**(7,941)**	(11,366)
	95,836	186,937

	2019 AED'000	2018 AED'000
Current		
Trade receivables and retentions	**541,598**	1,303,038
Prepayments and other receivables	**136,211**	366,245
Amount due from customers on contracts	**270,651**	2,359,613
	948,460	4,028,896
Less: Allowance for expected credit losses on trade receivables and retentions	**(471,257)**	(714,717)
Less: Allowance for prepayments and other receivables	**-**	(19,535)
Less: Allowance for amount due from customers on contracts	**(241,245)**	(2,236,266)
	235,958	1,058,378

	2019 AED'000	2018 AED'000
Amount due from customers on contracts comprise:		
Total costs incurred to date	**10,197,370**	20,791,307
Attributable profits less anticipated losses	**593,080**	(258,447)
	10,790,450	20,532,860
Less: Progress billings	**(10,519,799)**	(18,173,247)
Less: Allowance for impairment due from customers on contracts	**(241,245)**	(2,236,236)
	29,406	123,377

* Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current trade receivables and retentions, the fair values were calculated based on cash flows discounted at discount rate ranges from 2.25% to 4% (2018: 2.25% to 4%) per annum. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

13 TRADE AND OTHER RECEIVABLES (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and retentions in accordance with the simplified approach set out in IFRS 9. During the year, the Group has written off AED 93,615 thousand from trade and other receivables.

Movement lifetime ECL of trade receivables and retentions:

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**714,717**	329,799
Provision for expected credit loss	**57,918**	384,918
Reversal of provision for expected credit loss	**(92,713)**	-
Related to disposal of subsidiaries	**(208,665)**	-
At 31 December	**471,257**	714,717

Movement lifetime ECL of prepayments and other receivables:

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**19,535**	21,339
Reversal of provision for expected credit loss	**(19,535)**	(1,804)
At 31 December	**-**	19,535

Movement lifetime ECL of amounts due from customers on contract:

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**2,236,266**	639,764
(Reversal) / provision for expected credit loss	**(1,405,530)**	1,657,256
Related to disposal of subsidiaries	**(589,491)**	(60,754)
At 31 December	**241,245**	2,236,266

Reversal of provision for expected credit losses include AED 1,518 million relating to certain subsidiaries which are disposed of during the year.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*<30 days* *AED'000*	*31-60 days* *AED'000*	*61-90 days* *AED'000*	*91-120 days* *AED'000*	*>120 days* *AED'000*
2019	**166,177**	**95,836**	**38,436**	**13,443**	**-**	**18,462**	**-**
2018	775,228	-	581,430	12,466	42,844	106,981	31,507

The Group's credit period is 90 to 120 days after which trade receivables are considered to be past due. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables.

14 RELATED PARTY TRANSACTIONS

Related parties include shareholders, key management personnel, joint venture partners, directors and businesses which are controlled directly or indirectly by the major shareholders or directors or over which they exercise significant management influence (hereinafter referred as "affiliates").

In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group management or its Board of Directors.

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

Due from related parties:

	2019 ***AED'000***	*2018* *AED'000*
Joint arrangements	**405**	57,192
Affiliates	**42,860**	6,112
Related to assets held as discontinued operations (Note 33)	**-**	(179)
Related to subsidiaries with loss of control (Note 34)	**-**	(161)
	43,265	62,964

Due to related parties:

	2019 ***AED'000***	*2018* *AED'000*
Joint arrangements	**15,876**	52,451
Affiliates	**45,789**	203,578
Related to assets held as discontinued operations (Note 33)	**(27,289)**	(159,750)
Related to subsidiaries with loss of control (Note 34)	**-**	(16,222)
	34,376	80,057

Amount due from affiliates include AED 39,727 thousand relating to consideration received on sale of an investment in associate (Note 10).

Significant related party transactions:
There were no significant related party transactions during the year with affiliates (2018: AED 92 million). Transactions mainly represent funds received to meet working capital requirements.

The remuneration of key members of the management are as follows:

	2019 ***AED'000***	*2018* *AED'000*
Short term benefits	**1,701**	16,049
Employees' end of service benefits	**58**	3,812
	1,759	19,861

Outstanding balances at the year-end are unsecured and interest free and settlement occurs mainly in cash.

During the year, Group has written off a net amount due from subsidiaries of AED 2,281,022 thousand (dues from: AED 2,323,124 thousand and due to: AED 42,102 thousand) relating to amounts due from entities which were disposed of (Note 35). Further, during the year, the Group has provided for AED 29,618 thousand for amounts due from related parties (2018: 6,004 thousand) (Note 26).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 AED'000	*2018 AED'000*
Investment in a real estate fund	**1,058**	1,887

The fair value of the fund is based on net asset value provided by the fund manager. It represents the liquidation/redemption value assessed by the fund manager based on observable market data.

Changes in fair values of financial assets at fair value through profit or loss are recorded in the consolidated statement of income within 'General and administrative expenses' (Note 26).

16 CASH AND BANK BALANCES

	2019 AED'000	*2018 AED'000*
Cash on hand	**3,867**	3,861
Cash at bank	**42,798**	82,184
Term deposits	**33,124**	68,926
Cash and bank balances	**79,789**	154,971

Term deposits carry an average interest rate of 1% to 3% (2018: 1% to 3%) per annum.

Cash and cash equivalent

	2019 AED'000	*2018 AED'000*
Cash and bank balances	**79,789**	154,971
Less: Term deposits under lien	**(33,124)**	(68,926)
Bank overdrafts (Note 20)	**(117,436)**	(455,408)
Cash and cash equivalent related to discontinued operations (note 33)	**(23,292)**	(89,861)
Cash and cash equivalents	**(94,063)**	(459,224)

17 SHARE CAPITAL

	2019 AED'000	*2018 AED'000*
Authorised, issued and paid up		
1,070,987,748 ordinary shares of AED 1 each (2018: 1,070,987,748 ordinary shares of AED 1 each) paid in cash	**1,070,988**	1,070,988

(i) Assets and liabilities of Drake and Scull International (LLC) and its subsidiaries, were transferred to Drake and Scull International PJSC as in-kind contribution for a 45% shareholding in the Company.

(ii) During the Annual General Meeting held on 26 April 2012, the shareholders approved the cash dividend of 3% of the face value of the issued shares and 5% bonus shares. The increase in share capital was formally approved by the Ministry of Economy on 25 June 2012. These dividends had been reflected in the consolidated statement of changes in equity, accordingly.

17 SHARE CAPITAL (continued)

(iii) During the year ended 31 December 2009, the Company obtained the necessary regulatory approval to undertake a share buy-back program. A total of 32,400 thousand shares were purchased from the market at an average price of AED 0.8834 per share amounting to AED 28,622 thousand. During the year ended 31 December 2013, these shares were re-issued at an average price of AED 0.977 per share amounting to AED 31,648 thousand, recognising a share premium of AED 3,026 thousand.

(iv) On 9 September 2017 at the Annual General Assembly Meeting of Drake and Scull International PJSC, the shareholders approved unanimously the reduction of the paid-up share capital to cover the Company's accumulated losses (AED 1,714,058,920) through the cancellation of the corresponding number of shares. Moreover, the shareholders also resolved to ratify the validity and continuity of the resolutions of the Annual General Assembly of the company dated 4 May 2017 regarding the capital increase by AED 500 million through the issuance of AED 500 million new shares to be subscribed at par value AED 1 per share. The shareholders also authorised the Company's Board of Directors thereafter to duly complete the share capital reduction and increase in accordance with the UAE Commercial Companies law and undertake the required amendments to the Articles of Association of the Company to reflect the share capital reduction and increase.

(v) In October 2017, the Group obtained the approval from the Securities and Commodities Authority on the capital reduction of AED 1,714,058,920 through the cancellation of 1,714,058,920 of the company's shares and on the capital increase of AED 500 million through the issuance of new shares.

18 STATUTORY RESERVE

In accordance with the Group's Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the net profit for each year is required to be transferred to a statutory reserve. Such transfers may be ceased when the statutory reserve equals half of the paid-up share capital of the applicable entities. This reserve is non-distributable except in certain circumstances stipulated by the law. The consolidated statutory reserve reflects transfers made post-acquisition for subsidiary companies together with transfers made by the parent Group.

19 OTHER RESERVE

During the third quarter of the year ended 31 December 2011, the Group acquired the remaining 20% of shares relating to the non-controlling interest in one of its subsidiaries, Gulf Technical Construction Group LLC ("GTCC"). The fair value of the total net identifiable assets of GTCC was AED 160,000 thousand. The 20% shares were owned equally by two individuals. The Group paid one of the shareholders fully in cash and paid the other shareholder partially in cash and settled the remaining balance for 6% shares in another subsidiary, Drake and Scull Construction LLC (a wholly owned subsidiary of the Parent Group).This was subsequently increased to 9.3%.

The difference of AED 24,543 thousand between the total consideration paid/equity transferred and contingent liability assumed of AED 26,862 thousand and the carrying amount of non-controlling interest of AED 51,405 thousand had been credited to other reserves under the consolidated statement of changes in equity.

During the year, Group has disposed of its stake in GTCC and, consequently, the other reserve was transferred to accumulated losses.

20 BANK BORROWINGS

The Group has obtained bank borrowings (including bank overdrafts) from several commercial banks, mainly to fund working capital and project requirements.

	2019 AED'000	*2018 AED'000*
Non-current		
Term loan	**-**	490,970
Less: Related to loss of control over subsidiaries	**-**	(195,491)
	-	295,479
Current		
Term loan	**1,037,990**	726,082
Trust receipts and other borrowings	**632,917**	756,136
Bank overdrafts (Note 16)	**117,436**	455,408
	1,788,343	1,937,626

Changes in liabilities arising from financing activities:

31 December 2019

	1 January 2019 AED'000	***Cash flows AED'000***	***Relating to disposal AED'000***	***Others AED'000***	***31 December 2019 AED'000***
Term loans including Sukuk	**1,021,561**	**(24,273)**	**-**	**40,702**	**1,037,990**
Trust receipts and other borrowings	**756,136**	**537,311**	**(660,530)**	**-**	**632,917**

31 December 2018

	1 January 2018 AED'000	*Cash flows AED'000*	*Relating to loss of control over subsidiaries AED'000*	*Relating to discontinued operations AED'000*	*31 December 2018 AED'000*
Term loans including Sukuk	1,118,538	113,607	-	(210,584)	1,021,561
Trust receipts and other borrowings	1,036,180	23,081	(184,766)	(118,359)	756,136

For movement in lease liabilities, refer Note 7.

Interest rates on the term loans were at variable rates and ranging between 2% to 8% (2018: 2% to 6.5%) per annum. Contractual re-pricing dates are set on the basis of 3 months LIBOR/EIBOR.

The nature of securities provided in respect of certain bank borrowings by the Group, are set out below:

- Lien on motor vehicles and equipment purchased and on certain receivables;
- Mortgage over certain property and equipment;
- Pledge of assets acquired through utilisation of credit facilities; and
- Term deposits of AED 33,124 thousand (2018: AED 84,482 thousand).

The carrying amount of current borrowings approximates their fair value at the reporting date. Long-term borrowings are at market linked variable interest rates and therefore the carrying amounts of non-current borrowings approximate their fair value at the reporting date.

The Group was in breach of the financial covenants in relation to the syndicated Sukuk facility and certain other borrowing facilities. These breaches have rendered the loans to be technically payable on demand and consequently these are classified as current liabilities.

21 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision were as follows:

	2019 AED'000	2018 AED'000
At 1 January	**113,724**	134,819
Provided during the year	**6,927**	16,704
Payments made during the year	**(33,395)**	(25,321)
Discontinuing Operations	**-**	(2,582)
Loss of control over a subsidiary	**-**	(9,896)
Disposal of subsidiaries (Note 35)	**(17,936)**	-
At 31 December	**69,320**	113,724

Employees end of service benefits' charge has been allocated in the consolidated statement of income as follows:

	2019 AED'000	2018 AED'000
Contract costs (Note 23)	**5,558**	7,963
General and administrative expenses (Note 26)	**1,369**	6,861
Discontinuing Operations	**-**	1,880
	6,927	16,704

22 a TRADE AND OTHER PAYABLES

	2019 AED'000	2018 AED'000
Trade payables and accruals	**714,377**	2,176,410
Amount due to customers on contracts	**80,931**	161,222
Advances from customers	**74,639**	710,691
	869,947	3,048,323
Provision for legal cases (Note 26)	**107,877**	-
Provision against bond encashment	**56,360**	-
Provision for additional cost relating to disposal of subsidiaries (Note 35)	**5,000**	-
	1,039,184	3,048,323

	2019 AED'000	2018 AED'000
Amounts due to customers on contracts comprise:		
Progress billings	**1,598,075**	5,103,098
Less: Cost incurred to date	**(1,526,166)**	(5,132,819)
Add: Recognised profits	**9,022**	198,984
Discontinued operations	**-**	(8,041)
	80,931	161,222

22 b PROVISION FOR BANK LIABILITIES OF SUBSIDIARIES

	2019 AED'000	*2018 AED'000*
Provision for bank liabilities relating to disposed of subsidiaries *	**560,800**	-
Provision for bond encashment relating to disposed of subsidiaries	**48,351**	12,192
Provision for bank liabilities of discontinued operations *	**80,000**	-
Provision for bond encashment related to loss of control of subsidiaries	**34,228**	-
	723,379	12,192

These represents provisions created against corporate guarantees and bonds reflected in the books of various entities, which are guaranteed by the Group.

* Interest rates on these loans were at a variable rate between 2% to 8% (2018: 2% to 6.5%) per annum.

23 REVENUE FROM CONTRACTS WITH CUSTOMERS AND COST OF REVENUE

The Group has recognised its entire revenue over a period of time. disaggregated revenue information:

	2019 AED'000	*2018 AED'000*
Engineering	**247,088**	367,797
Civil	**276,060**	261,798
Others	**158,346**	159,658
	681,494	798,253

Set out below is the amount of revenue recognised from:

	2019 AED'000	*2018 AED'000*
Amounts included in contract liabilities at the beginning of the year	**38,122**	31,608

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2019 AED'000	*2018 AED'000*
Within one year	**312,956**	406,478
More than one year	**2,963**	299,764
	315,919	706,242

Cost of revenue	***2019 AED'000***	*2018 AED'000*
Material costs (Note 12)	**186,210**	467,738
Labour and staff costs (Note 24)	**149,975**	391,417
Sub-contracting costs	**250,302**	419,139
Finance cost (Note 27)	**9,155**	79,791
Depreciation (Note 5)	**10,332**	12,775
Employees' end of service benefits (Note 21)	**5,558**	7,963
Provision against bond encashment and future losses	**-**	96,483
Other costs	**61,957**	275,186
	673,489	1,750,492

24 STAFF COSTS

	2019	*2018*
	AED'000	*AED'000*
Cost of sales (Note 23)	**149,975**	391,417
General and administrative expenses (Note 26)	**49,400**	99,510
	199,375	490,927

25 OTHER INCOME

	2019	*2018*
	AED'000	*AED'000*
Gain on disposal of property and equipment	**976**	-
Rental income	**2,059**	192
Gain on disposal of investment	**-**	4,872
Gain on scrap sale	**373**	8,639
Write back of liabilities *	**129,503**	-
Others	**383**	4,493
	133,294	18,196

* The Group assessed during the year that certain provisions and accrual made in earlier years were no longer required and has, accordingly, written back such amounts under other income.

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	*2018*
	AED'000	*AED'000*
Provision for legal cases	**107,877**	-
Provision for bond encashment relating to suspended projects	**137,145**	-
Write off of trade and other receivables	**93,615**	-
Staff costs (Note 24)	**49,400**	99,510
Provision for impairment of amounts due from related parties (Note 14)	**29,618**	6,004
Restructuring cost	**8,898**	1,595
Business development, legal and professional fees	**11,783**	14,232
Impairment of property and equipment (Note 5)	**18,077**	36,085
Depreciation on property and equipment (Note 5)	**11,577**	15,747
Loss on disposal of equity accounted investments (Note 10)	**5,875**	-
Impairment of development properties	**5,275**	-
Expenses related to lease of short term and low value assets (Note 7)	**5,103**	-
Depreciation on right-of-use assets (Note 7)	**1,699**	-
Employees' end of service benefits (Note 21)	**1,369**	6,861
Utilities	**1,985**	2,720
Repair and maintenance	**886**	2,547
Fair value loss on financial assets at fair value through P&L	**829**	-
Bank charges	**335**	2,304
Provision for impairment of amounts due from associates (Note 10)	**-**	188,480
Impairment of intangible assets (Note 8)	**-**	901,230
Amortisation of intangible assets (Note 8)	**-**	29,361
Rent	**-**	14,949
Loss on disposal of property and equipment	**-**	3,472
Other expenses	**6,156**	72,449
	497,502	1,397,546

27 FINANCE COSTS

	2019 AED'000	*2018 AED'000*
Finance costs	**130,242**	191,028
Interest on lease liability (Note 7)	**475**	-
Charged to cost of sales (Note 23)	**(9,155)**	(79,791)
	121,562	111,237

28 LOSS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Group by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased and held as treasury shares.

	2019 AED'000	*2018 AED'000*
Profit/(loss)		
Profit/(loss) for the purposes of basic earnings per share being net profit/(loss) attributable to owners of the Parent	**(87,007)**	(4,501,273)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,070,987,748**	1,070,987,748
Basic and diluted loss per share (AED)	**(0.08)**	(4.20)

(b) Diluted

The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

29 GUARANTEES

	2019 AED'000	*2018 AED'000*
Performance bonds *	**765,585**	1,101,165
Letter of guarantees *	**767,899**	893,519
	1,533,484	1,994,684

The various bank guarantees disclosed above were issued by the Group's bankers in the ordinary course of business.

* Group has also provided corporate guarantees on behalf of subsidiaries disposed of during the year. Group has recognised provision against these guarantees. Refer Note 22 b.

30 COMMITMENTS AND CONTIGENCIES

Commitments

	2019	*2018*
	AED'000	*AED'000*
Letters of credit for purchase of materials and operating equipment	**21,827**	87,537

Legal contingencies
During 2018, the Group informed DFM that there were material financial violations by the previous management of the Group which are under investigation by the designated authorities in the UAE. The company is engaged in civil and criminal cases against the ex-shareholder for mismanagement, breach of trust and embezzlement. Further, the Company is pursuing legal action against the former CEO and Vice Chairman to get him extradited to the UAE following his arrest in Jordan. Criminal complaints were filed against family members of the former CEO and Vice Chairman and other former executive managers with the Abu Dhabi Public Funds Prosecutor's office, which is investigating the matter. The Abu Dhabi Public Funds Prosecutor has charged the former CEO and Vice Chairman for misappropriation, fraud, embezzlement, intentional damage to public funds, profiteering others and forgery.

Further, due to severe liquidity issues, the Group is facing multiple civil cases from ex-employees mainly related to non-payment of their dues and similarly, the Group is also facing many civil legal cases with suppliers and subcontractors for non-payment of their dues.

Management has assessed and concluded that in respect of above sufficient provisions are considered in the consolidated financial statements**.**

31 RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, price risk, credit risk, liquidity risk and currency risk. Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments.

The Group holds its surplus funds in short term bank deposits. During the year ended 31 December 2019, if interest rates on deposits had been 0.5% higher/lower, the interest income would have been higher/lower by AED 166 thousand (31 December 2018: AED 299 thousand).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

	Increase/ (decrease) in basis points	***Effect on profit for the year AED'000***
Bank borrowings:		
2019	**+50**	**(8,942)**
	-50	**8,942**
2018	+50	(14,157)
	-50	14,157
Provision for bank liabilities on disposal of subsidiaries:		
2019	**+50**	**(3,616)**
	-50	**3,616**
2018	+50	-
	-50	-

31 RISK MANAGEMENT (continued)

Market risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's equity investment portfolio.

The effect on quoted equity due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in equity price 2019 %	*Effect on equity 2019 AED '000*	*Change in equity price 2018 %*	*Effect on equity 2018 AED '000*
Dubai Financial Market	+/- 10%	**106**	+/- 10%	244

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and due from customers on contracts.

Bank balances
The Group is exposed to credit risk on its bank balances. The Group seeks to limit its credit risk with respect to bank balances by dealing only with reputable banks.

Trade receivables and due from customers on contract
The amounts of trade receivables and due from customers on contracts are related to significant projects of the Group and mainly due from government entities and other regional companies with high net worth which maintains high credit worthiness and no history of debt defaults.

The Group has a formal procedure of monitoring and follow-up of customers for outstanding trade receivables. The Group assesses internally the credit quality of each customer, taking into account its financial position, past experience and other factors.

At 31 December 2019, the Group had a concentration of credit risk with ten customers (31 December 2018: ten customers) accounting for 74% of the trade receivables (31 December 2018: 60%). Management believes that this concentration of credit risk is mitigated as the Group has long-standing relationships with these customers.

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

31 December 2019

			Trade receivables					
				Days past due				
	Contract assets AED '000	*Total AED '000*	*Not due AED '000*	*< 30 days AED '000*	*31 – 60 days AED '000*	*61-90 days AED '000*	*91-120 days AED '000*	*>120 days AED '000*
Gross amount at default	**270,651**	**645,375**	**103,777**	**319,691**	**13,444**	**3,277**	**27,947**	**177,239**
Expected credit loss	**241,245**	**479,198**	**7,941**	**281,255**	**-**	**3,277**	**9,486**	**177,239**
Net amount	**29,406**	**166,177**	**95,836**	**38,436**	**13,444**	**-**	**18,461**	**-**
Expected credit loss rate	**89%**	**74%**	**8%**	**88%**	**-**	**100%**	**34%**	**100%**

31 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and due from customers on contract (continued)

31 December 2018

			Trade receivables					
				Days past due				
	Contract assets AED '000	Total AED '000	Not due AED '000	< 30 days AED '000	31 – 60 days AED '000	61-90 days AED '000	91-120 days AED '000	>120 days AED '000
Gross amount at default	2,359,613	1,501,341	170,851	581,430	25,558	79,360	304,577	339,565
Expected credit loss	2,236,236	726,113	170,851	-	13,092	36,516	197,596	308,058
Net amount	123,377	775,228	-	581,430	12,466	42,844	106,981	31,507
Expected credit loss rate	95%	48%	100%	-	51%	46%	65%	91%

The other categories of financial assets do not result in significant credit risk.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by retaining funds from operation and when it is available.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2019

	Less than 1 year AED'000	Between 1 year and 2 years AED'000	Between 2 years and 5 years AED'000	Total AED'000
Trade and other payables (excluding advance)	**964,545**	**-**	**-**	**964,545**
Bank borrowings	**1,931,410**	**-**	**-**	**1,931,410**
Due to related parties	**34,376**	**-**	**-**	**34,376**
Lease liabilities	**1,429**	**2,241**	**3,537**	**7,207**
Liabilities associated with disposal of subsidiaries	**723,379**	**-**	**-**	**723,379**
Total	**3,655,139**	**2,241**	**3,537**	**3,660,917**

31 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2018

	Less than 1 year AED'000	*Between 1 year and 2 years AED'000*	*Between 2 years and 5 years AED'000*	*Total AED'000*
Trade and other payables (excluding advance)	2,290,884	-	-	2,290,884
Bank borrowings	1,902,686	34,940	295,479	2,233,105
Due to related parties	80,057	-	-	80,057
Total	4,273,627	34,940	295,479	4,604,046

Currency risk
Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group's foreign currency monetary assets and liabilities are denominated mainly in Saudi Arabian Riyals, Qatari Riyals, Euro, Kuwaiti Dinars, Omani Riyal, Egyptian Pounds, Indian Rupee, Jordanian Dinar, Iraqi Dinar and Algerian Dinar.

As Saudi Arabian Riyals, Qatari Riyals, Omani Riyals and United Arab Emirates Dirhams (AED) are pegged to US Dollars, the sensitivity considers the effect of a reasonably possible movement of the AED currency rate against the Euro, Kuwaiti Dinars, Indian Rupee, Algerian Dinars, Egyptian Pounds, Iraqi Dinar, Jordanian Dinars with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and liabilities).

At 31 December 2019, if these currencies had weakened/strengthened by 5% against the AED, the losses for the year would have been lower/higher by AED 73 million (31 December 2018: AED 35 million).

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019. Capital comprises share capital, share premium, statutory reserve, other reserve, accumulated losses, foreign currency translation reserve and non-controlling interests and is measured at deficiency of asset of AED 3,987,896 thousand as at 31 December 2019 (2018: deficiency of asset of AED 4,748,922 thousand).

32 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade and other receivables, other financial assets, development properties and due from related parties. Financial liabilities consist of bank borrowings, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

32 FAIR VALUES (continued)

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, trade receivables, other financial assets, due from related parties, bank borrowings, trade and other payables and due to related parties and income tax payable approximate their carrying amounts, largely due to the short-term maturities of these instruments.

- Long term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, provisions are taken to account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of provisions, are not materially different from their fair values.

- Fair value of non-current receivable, lease liabilities, bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities.

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019:

	Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Assets				
Financial assets at fair value through profit or loss	**-**	**1,058**	**-**	**1,058**
Investment property	**-**	**-**	**100,000**	**100,000**
Total assets	**-**	**1,058**	**100,000**	**101,058**
Liabilities				
Lease liabilities	**-**	**-**	**7,207**	**7,207**
Total liabilities	**-**	**-**	**7,207**	**7,207**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2018.

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Assets				
Financial assets at fair value through profit or loss	-	1,887	-	1,887
Non-current financial asset	-	-	551	551
Development properties	-	-	7,525	7,525
Total assets	-	1,887	8,076	9,963

32 FAIR VALUES (continued)

Fair value hierarchy (continued)

Fair value disclosures for investment property is in Note 6, along with its valuation techniques and assumptions.

The Group has no liabilities measured at fair value as at 31 December 2018.

There were no transfers between Levels 1, 2 and 3 during the year.

(a) Valuation techniques used to derive Level 2 fair values

(i) Investments carried at fair value through profit or loss
Level 2 investments carried at fair value through profit or loss comprise of investments in fund for which fair value is estimated using net assets value approach. Fair values of investments in fund are determined using the net assets value provided by the fund managers based on the observable market prices of the assets managed by the fund.

At 31 December 2018 and 31 December 2019, the fair values of all other financial assets and liabilities, which are measured at amortised cost approximate their carrying values.

(b) Group's valuation processes

Changes in Level 2 and 3 fair values are analysed at each reporting date during quarterly valuation discussions. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

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

33 DISCONTINUED OPERATIONS

During 2018, two subsidiaries of the Group namely Drake & Scull International Oman & DSWE India went into liquidation. The liquidation of these entities was expected to be completed within a year from the reporting date.

During the year, the Group changed its position with regards to the disposal of DSWE India and has made a bid to acquire the entity. The bid is still pending approval by the relevant authorities as of the date of authorization of these consolidated financial statements. DSWE India is currently under liquidation whereby the proceedings are managed, supervised, and controlled by the relevant regulator in India. Accordingly, the investment has been classified under loss of control over subsidiary under Note 34.

Balances relating to the Group's investment in Drake & Scull International Oman (2018: Drake & Scull International Oman and DSWP India) under liquidation are as follows:

	2019 AED'000	*2018 AED'000*
Income statement		
Contract revenue	**-**	51,291
Contract costs	**-**	(105,889)
Gross loss	**-**	(54,598)
Other income	**40,702**	997
General and administrative expenses	**(12,820)**	(79,471)
Operating profit/(loss)	**27,882**	(133,072)
Finance costs	**-**	(16,730)
Profit/(loss) for the year before tax	**27,882**	(149,802)
Income tax expense	**-**	(3)
Profit/(loss) from discontinued operations	**27,882**	(149,805)
Profit/(loss) per share	**0.00**	**(0.08)**

33 DISCONTINUED OPERATIONS (continued)

	2019 AED'000	2018 AED'000
Financial position		
ASSETS		
Property and equipment	**469**	1,831
Trade and other receivables - Current	**-**	10,327
Trade and other receivables - noncurrent	**-**	95,633
Due from related parties	**-**	179
Cash and bank balances	**1,116**	3,162
	1,585	111,132
LIABILITIES		
Other payables	**2,476**	2,586
Trade and other payables	**38,352**	96,155
Bank borrowings	**76,864**	207,069
Due to related parties (Note 14)	**27,289**	159,750
	144,981	465,560

Cash and cash equivalent related to discontinued operations:

	2019 AED'000	2018 AED'000
Cash and bank balances	**1,116**	3,162
(Less) bank overdrafts	**(24,408)**	(93,023)
	(23,292)	(89,861)

Cash flows from discontinued operations

	2019	2018
Operating	**46**	(24,736)
Investing	**-**	1,544
Financing	**19,435**	23,776
	19,481	584

34 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES

The Group administratively and operationally lost control over its subsidiaries, Drake & Scull International WLL Qatar (DSI WLL), during 2018 and DSWE India during 2019. Accordingly, investments in these subsidiaries are carried at fair value through profit or loss in accordance with International Financial Reporting Standards IFRS 9.

Management has determined that the investments' fair values were deemed to be nil due to their operating and financial conditions. Notwithstanding, provisions equivalent to the net liabilities of the investments at the time of loss of control were retained until such time when further information is available or until further developments take place. Management is of the opinion that these would be resolved within 12 months from the date of authorisation of these consolidated financial statements.

34 PROVISION FOR LOSS OF CONTROL OVER SUBSIDIARIES (continued)

Amounts recognised in the consolidated financial statements of the Group are as follows:

	2019			*2018*
	DSI WLL, Qatar AED'000	***DSWE, India AED'000***	***Total AED'000***	*DSI WLL, Qatar AED'000*
Balance at 1 January	**709,405**	**-**	**709,405**	-
Transfer during the year	**-**	**5,904**	**5,904**	275,288
Additional provision during the year	**96,228**	**18,434**	**114,662**	387,639
Others	**(16,564)**	**-**	**(16,564)**	46,478
Balance at 31 December	**789,069**	**24,338**	**813,407**	709,405

35 DISPOSAL OF SUBSIDIARIES

On 22 December 2019, the Group entered into a Sale and Purchase Agreement to dispose of its entire stake in Drake and Scull Construction LLC, Drake and Scull Construction Jordan, Drake and Scull Construction Algeria, Gulf Technical Construction Group LLC, Drake and Scull Construction Group LLC, International Centre for Contracting Co. Ltd and Drake and Scull International Saudia Group Limited.

In accordance with the terms of the agreement, the date of actual transfer of control over the entities' operating and financial activities was 22 December 2019. Further as per SPA, the agreement is irrevocable by either parties and is legally binding and effective in the local jurisdictions in which the subject entities are legally domiciled.

Effect of disposal of subsidiaries on the consolidated financial statement of the Group as of 22 December 2019.

	2019 AED'000
ASSETS	
Non-current assets	
Property and equipment (Note 5)	13,190
Non-current financial assets (Note 11)	551
	13,741
Current assets	
Inventories	16,113
Development properties	2,250
Trade and other receivables	2,224,738
Due from related parties	557,923
Cash and bank balance	23,904
	2,824,928
TOTAL ASSETS	**2,838,669**

35 DISPOSAL OF SUBSIDIARIES (continued)

	2019 *AED'000*
Liabilities	
Non-current liabilities	
Employees' end of service benefits (Note 21)	17,936
	17,936
Current liabilities	
Bank borrowings	713,191
Trade and other payable	1,845,469
Due to related parties	2,982,296
	5,540,956
TOTAL LIABILITIES	**5,558,892**
Total net liabilities	2,720,223
Attributable to non-controlling interests	(493,721)
Net liabilities attributable to Group **	**2,226,502**
Consideration receivable on disposal*	19,618
Net intercompany receivables written off (Note 14)	(2,281,022)
Provision for additional cost relating to disposal (Note 22)	(5,000)
Provision for bond encashed and bank liabilities guaranteed by the Parent (Note 22)	(596,959)
Net loss on disposal of subsidiaries	**(636,861)**

** Includes cumulative translation difference recorded in consolidated statement of other comprehensive income of AED 1,603 thousand.

Analysis of cash flow:	
Total consideration received*	-
Bank overdraft disposed of on disposal of subsidiaries	**28,757**
Net cash flow on disposal of subsidiaries	**28,757**

*As at 31 December 2019, the consideration of AED 19,618 thousand is receivable and shown under other receivable.

During 2019, the Group has disposed of its holdings in below joint operations which were entered into through the above subsidiaries. These were classified as joint operation in the consolidated financial statements for the year ended 31 December 2018.

- The Group, through Gulf Technical Construction Group LLC had a 50% interest in Ranya Test Joint Venture, a joint arrangement with Ranya General Contracting Group LLC under a joint arrangement agreement dated 12 August 2005.
- The Group, through Drake and Scull International Saudi Co. LLC has a 50% interest in a joint control with Specon Saudi LLC under a joint arrangement agreement dated 14 February 2013. This was classified as joint operation in these consolidated financial statements.

35 DISPOSAL OF SUBSIDIARIES (continued)

- The Group, through Drake and Scull Construction Group LLC had a 50% interest in a jointly controlled project with Consolidated Contractors Group S.A.L (Offshore) (CCC) under a joint arrangement agreement dated 27 September 2011.

- The Group, through Drake and Scull Construction Group LLC – Saudi Arabia had a 50% interest in a jointly controlled project with Saudi Arabia Construction Co (SACC – DSC JV) under a joint arrangement agreement dated 15 October 2012.

- The Group, through Drake and Scull Construction LLC had a 50% interest in a joint venture with John Sisk and Sons Construction LLC, (SISK-DSC-SMH-Joint Venture) under a joint arrangement agreement dated 25 November 2012.

- The Group, through Drake and Scull Construction Group LLC had a 33% interest in a jointly controlled project with Consolidated Contractors Group S.A.L (Offshore) and Arabtec Construction LLC under a joint arrangement agreement dated 10 June 2013.

36 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST

Financial information of subsidiaries that have material non-controlling interests is set out below:

a) Proportion of equity interest held by the non-controlling interests:

Subsidiaries	***Country of incorporation***	***2019 %***	*2018 %*
Drake and Scull International LLC (Oman) (DSI Oman)	Oman	**49%**	49%
Drake and Scull International KSA (DSI KSA)*	Saudi Arabia	-	41%
Gulf Technical Construction Company LLC (GTCC) *	United Arab Emirates	-	9%
Drake and Scull Construction PJSC KSA (DSC KSA) *	Saudi Arabia	-	9%
International Center for Contracting Co. Ltd (ICCC) *	Saudi Arabia	-	9%

b) Accumulated balances of material non-controlling interests:

	2019 AED'000	*2018 AED'000*
Drake and Scull International LLC (Oman)	**(123,582)**	(137,244)
Drake and Scull International KSA	-	(553,883)
Gulf Technical Construction Company LLC	-	(93,523)
Drake and Scull Construction PJSC KSA	-	(134,930)
International Center for Contracting Co. Ltd	-	(32,935)

*During the year, the Group disposed of its entire stake in Gulf Technical Construction Group LLC, Drake and Scull Construction Group LLC, International Centre for Contracting Co. Ltd and Drake and Scull International Saudia Group Limited.

36 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST (continued)

c) Profit allocated to material non-controlling interests:

	2019 AED'000	*2018 AED'000*
Drake and Scull International LLC (Oman)	**13,662**	(67,883)
Drake and Scull International KSA	**270,386**	(426,735)
Gulf Technical Construction Company LLC	**3,677**	(15,418)
Drake and Scull Construction PJSC KSA	**65,247**	(76,819)
International Center for Contracting Co. Ltd	**(281)**	(2,412)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

d) Summarised statement of comprehensive income statement

31 December 2019

	DSI Oman AED'000	***DSI KSA AED'000***	***GTCC AED'000***	***DSC KSA AED'000***	***ICCC AED'000***
Revenue	**-**	**25,184**	**-**	**241,503**	**-**
Gross profit	**-**	**(19,291)**	**(164)**	**37,322**	**(7,708)**
Other income	**40,702**	**572**	**(9,802)**	**1,911**	**1,618**

31 December 2018

	DSI Oman AED'000	*DSI KSA AED'000*	*GTCC AED'000*	*DSC KSA AED'000*	*ICCC AED'000*
Revenue	26,404	(160,707)	133,215	4,923	46,745
Gross profit	(139,532)	(1,042,420)	(175,995)	(846,970)	(30,427)
Other income	994	1,603	4,683	(6,570)	3,626

e) Summarised statement of financial position

31 December 2019

	DSI Oman 2019 AED'000
Total Assets	**1,764**
Total Liabilities	**144,981**

36 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTEREST (continued)

e) Summarised statement of financial position (continued):

31 December 2018:

	DSI Oman AED'000	*DSI KSA AED'000*	*GTCC AED'000*	*DSC KSA AED'000*	*ICC AED'000*
Total Assets	14,553	229,379	270,760	586,584	183,288
Total Liabilities	294,477	1,572,243	774,198	1,896,856	513,508

37 COMPARATIVE INFORMATION

Certain corresponding figures for previous year have been reclassified in order to confirm to the presentation for the current year and to improve the quality of the information presented. Such reclassifications do not affect previously reported profit or shareholder's equity.

38 EVENTS AFTER THE REPORTING PERIOD

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

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

These conditions are considered subsequent, non-adjusting events, and impacted the economic and risk environment in which the Group operates.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these consolidated financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

Subsequent to the year end, no major updates to the restructuring plan is noted.