NATIONAL CENTRAL COOLING COMPANY PJSC

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Central Cooling Company PJSC
Abu Dhabi, United Arab Emirates

Report on the audit of the consolidated financial statements of National Central Cooling Company PJSC

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Carrying value of property, plant and equipment	
The Group has AED 4,051,993 thousand of property, plant and equipment as disclosed in Note 11 which represent a significant balance recorded in the consolidated statement of financial position. The evaluation of the recoverable amount of these assets requires significant estimates as disclosed in Note 2.5 in determining the key assumptions supporting the expected future cash flows of the business, the utilisation of the relevant assets, the forecast revenue, profit, Weighted Average Cost of Capital and discount rates.	Our audit procedures included the assessment of controls over impairment analysis and calculations. We tested the design and operating effectiveness of relevant controls to determine the accuracy and completeness of provision for impairment. This included testing: • Management review the impairment assessment annually including the calculations performed and assumptions used for consistency; and • Governance controls, including reviewing key meetings that form part of the approval process for provision for impairment. In addition, we also performed the following substantive audit procedures: ▪ Engaged our internal valuation specialists to assess the valuation of the assets; ▪ Assessed compliance with relevant accounting standards; ▪ Evaluated whether the model used by management to calculate the value in use of each cash-generating unit complies with the requirements of IAS 36 *Impairment of Assets*; ▪ Obtained and analysed the impairment assessments provided by management for each subject asset to determine whether they are reasonable and supportable; ▪ Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations; ▪ Challenged the reasonableness of growth rates and other key cash flow assumptions; ▪ Performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change; and ▪ We assessed the appropriateness of the related disclosures in Note 11 of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Step acquisition	
During the year, the Group acquired remaining 50% of a joint venture, bringing up the Group's ownership to 100%, for a total consideration of AED 231,057 thousand as disclosed in Note 27. Judgement and estimates are required over the determination of the fair value of the assets and liabilities acquired and the deferred contingent consideration. We consider these estimates to be significant due to the impact the acquisition has on the consolidated financial statements, and the inherent assumptions involved in estimating the fair value of the assets and liabilities acquired, and the deferred contingent consideration.	As part of our audit procedures, we have: ▪ Obtained and evaluated the sale and purchase agreement; ▪ Engaged our internal valuation specialists to assess the valuation of the assets and liabilities at the date of acquisition; ▪ Assessed compliance with relevant accounting standards; ▪ Challenged the reasonableness of growth rates and other key cash flow assumptions; ▪ Analysed the appropriateness of management's assumptions used in the forecasts which support the quantum of the deferred contingent consideration; ▪ Performed sensitivity analysis around the key assumptions used by management; and ▪ We assessed the appropriateness of the related disclosures in Note 27 of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Classification of plant asset as finance lease	
The Group has AED 2,869,966 thousand of finance lease receivables as disclosed in Note 15 which represents a significant balance recorded in the consolidated statement of financial position. Further, the Group recognised finance lease income of AED 196,359 thousand during the year. During the year, the Company completed construction of a new district cooling plant for an existing customer. The Company signed a cooling agreement with the customer for a contract period of 20 years. Since, the Agreement transfers substantially all the risk and rewards incidental to the ownership of the specified plant to the customer, Management has assessed and concluded that the arrangement is a finance lease in accordance with the requirements of IAS 17 and IFRIC 4 as disclosed in Note 15 to the consolidated financial statements. The Group recognised an amount of AED 34,338 thousand in relation to finance lease receivable during the year. Due to the significant judgement involved, the matter is considered to be a key audit matter.	As part of our audit procedures, we have: • Evaluated the agreement executed with the customers to provide the required cooling services; • Considered the requirements of IFRIC 4, "Determining whether an arrangement contains a lease"; • Assessed the lease classification in the arrangement by reviewing the terms of the lease and third party valuation report; • Analysed the implicit interest and discount rate calculated by management; • Examined the calculation of minimum lease payments; • Examined the recognition of finance lease income; • Assessed the reasonableness of key assumptions used in minimum lease payment calculations; • Assessed the classification of finance lease receivable presentation into current and non-current balances; and • We assessed the appropriateness of the related disclosures in Note 15 of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors Report, which we obtained prior to the date of this auditor's report, and the Key Achievements of 2018, Overview of Historical Highlights, Chairman's Message, CEO's Message, and the Corporate Governance Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

When we will read the Key Achievements of 2018, Overview of Historical Highlights, Chairman's Message, CEO's Message, and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

i. We have obtained all the information we considered necessary for the purposes of our audit;

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

iii. The Company has maintained proper books of account;

iv. The financial information included in the report of the Board of Directors are consistent with the books of account and records of the Group;

v. The Group has not purchased or invested in shares during the financial year ended 31 December 2018;

vi. Note 27 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii. Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2018.

Deloitte & Touche (M.E.)

R.P.A

Rama Padmanabha Acharya
Registration number 701
Abu Dhabi
30 January 2019

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	*2018* *AED '000*	*2017* *AED '000*
Revenue	3 & 4	**1,446,885**	1,399,428
Operating costs	4 & 6.1	**(783,957)**	(771,764)
GROSS PROFIT		**662,928**	627,664
Administrative and other expenses	4 & 6.2	**(203,705)**	(195,557)
OPERATING PROFIT		**459,223**	432,107
Finance costs	5	**(162,503)**	(162,318)
Finance income		**1,060**	840
Other gains and losses		**43,246**	2,351
Share of results of associates and joint ventures	12 & 13	**90,290**	128,790
PROFIT FOR THE YEAR		**431,316**	401,770
Attributable to:			
Equity holders of the parent		**427,628**	400,113
Non-controlling interests		**3,688**	1,657
		431,316	401,770
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.16**	0.15

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 AED '000	2017 AED '000
PROFIT FOR THE YEAR		**431,316**	401,770
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of derivatives in cash flow hedges		**2,694**	(7,485)
Settlement of cash flow hedges reclassified to profit and loss during the year		**8,872**	-
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	12 & 13	**5,322**	(738)
Exchange differences arising on translation of overseas operations		**412**	(65)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**17,300**	(8,288)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**448,616**	393,482
Attributable to:			
Equity holders of the parent		**444,928**	391,825
Non-controlling interests		**3,688**	1,657
		448,616	393,482

The attached notes 1 to 32 form part of these consolidated financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 AED '000	2017 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	**104,270**	170,831
Property, plant and equipment	11	**4,051,993**	3,745,386
Goodwill	14	**28,527**	27,710
Investments in associates and joint ventures	12 & 13	**579,280**	826,199
Finance lease receivables	15	**2,625,050**	2,715,106
		7,389,120	7,485,232
Current assets			
Inventories		**32,806**	32,648
Accounts receivable and prepayments	16	**568,482**	516,819
Finance lease receivables	15	**244,916**	242,638
Cash and bank deposits	17	**248,946**	418,280
		1,095,150	1,210,385
TOTAL ASSETS		**8,484,270**	8,695,617
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	**2,715,529**	2,715,529
Treasury shares	19	**(2,016)**	(2,016)
Statutory reserve	20	**316,867**	274,104
Retained earnings		**955,960**	1,071,952
Foreign currency translation reserve		**(2,368)**	(2,780)
Cumulative changes in fair value of derivatives in cash flow hedges		**(20,886)**	(37,774)
Other reserve	20	**706,920**	706,920
Equity attributable to the equity holders of the parent		**4,670,006**	4,725,935
Non – controlling interests		**67,462**	71,085
Total equity		**4,737,468**	4,797,020
Non-current liabilities			
Accounts payable, accruals and provisions	26	**102,917**	128,444
Interest bearing loans and borrowings	21	**1,016,526**	1,844,622
Non-convertible Sukuk	23	**1,828,794**	-
Islamic financing arrangements	22	**-**	1,089,880
Employees' end of service benefits	25	**29,255**	25,976
		2,977,492	3,088,922
Current liabilities			
Accounts payable, accruals and provisions	26	**625,645**	575,552
Interest bearing loans and borrowings	21	**143,665**	164,457
Islamic financing arrangements	22	**-**	65,292
Obligations under finance lease	24	**-**	4,374
		769,310	809,675
Total liabilities		**3,746,802**	3,898,597
TOTAL EQUITY AND LIABILITIES		**8,484,270**	8,695,617

Khaled Abdulla Al Qubaisi
Chairman

Jasim H. Thabet
Chief Executive Officer

Stephen John Ridlington
Chief Financial Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Attributable to equity holders of the parent										
	Issued capital AED'000	*Treasury shares* AED'000	*Statutory reserve* AED'000	*Retained earnings* AED'000	*Foreign currency translation reserve* AED'000	*Cumulative changes in fair value of derivatives* AED'000	*Mandatory convertible bond- equity component* AED'000	*Other reserve* AED'000	*Total* AED'000	*Non-controlling interests* AED'000	*Total equity* AED'000
Balance at 1 January 2017	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091
Profit for the year	-	-	-	400,113	-	-	-	-	400,113	1,657	401,770
Other comprehensive loss for the year	-	-	-	-	(65)	(8,223)	-	-	(8,288)	-	(8,288)
Total comprehensive income/(loss) for the year	-	-	-	400,113	(65)	(8,223)	-	-	391,825	1,657	393,482
Transfer to statutory reserve	-	-	40,012	(40,012)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders (note 8)	-	-	-	(48,002)	-	-	-	-	(48,002)	-	(48,002)
Dividends paid to mandatory convertible bond holders (note 8)	-	-	-	(128,508)	-	-	-	-	(128,508)	-	(128,508)
Conversion of mandatory convertible bonds	1,977,039	-	-	-	-	-	(1,772,476)	(61,166)	143,397	-	143,397
Additional contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	905	905
Dividends paid to non-controlling interests holders	-	-	-	-	-	-	-	-	-	(2,345)	(2,345)
Balance at 31 December 2017	2,715,529	(2,016)	274,104	1,071,952	(2,780)	(37,774)	-	706,920	4,725,935	71,085	4,797,020
Balance at 31 December 2017	**2,715,529**	**(2,016)**	**274,104**	**1,071,952**	**(2,780)**	**(37,774)**	**-**	**706,920**	**4,725,935**	**71,085**	**4,797,020**
Effect of changes in accounting policy for IFRS 15 (note 2.4 & 12)	-	-	-	(194,030)	-	-	-	-	(194,030)	-	(194,030)
Effect of changes in accounting policy for IFRS 9 (note 2.4, 15 & 16)	-	-	-	(81,499)	-	-	-	-	(81,499)	-	(81,499)
Balance at 1 January 2018 (restated)	**2,715,529**	**(2,016)**	**274,104**	**796,423**	**(2,780)**	**(37,774)**	**-**	**706,920**	**4,450,406**	**71,085**	**4,521,491**
Profit for the year	-	-		427,628	-	-	-	-	427,628	3,688	431,316
Other comprehensive loss for the year	-	-	-	-	412	16,888	-	-	17,300	-	17,300
Total comprehensive income for the year	-	-	-	427,628	412	16,888	-	-	444,928	3,688	448,616
Transfer to statutory reserve	-	-	42,763	(42,763)	-	-	-	-	-	-	-
Dividends paid to shareholders (note 8)	-	-	-	(217,242)	-	-	-	-	(217,242)	-	(217,242)
Effect of additional ownership in a subsidiary	-	-	-	(8,086)	-	-	-	-	(8,086)	(1,061)	(9,147)
Dividends paid to non-controlling interests holders	-	-	-	-	-	-	-	-	-	(6,250)	(6,250)
Balance at 31 December 2018	2,715,529	(2,016)	316,867	955,960	(2,368)	(20,886)	-	706,920	4,670,006	67,462	4,737,468

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 AED '000	2017 AED '000
OPERATING ACTIVITIES			
Profit for the year		**431,316**	401,770
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	**149,562**	140,188
Impairment of property, plant and equipment	11	**25,422**	-
Finance lease income	3&15	**(196,359)**	(188,158)
Share of results of associates and joint ventures	12&13	**(90,290)**	(128,790)
Net movement in employees' end of service benefits	25	**3,279**	3,327
Other gains		**(107,606)**	(2,351)
Allowance for trade receivable	16	**13,112**	11,972
Allowance for slow moving inventory	10	**25,826**	-
Interest income		**(1,060)**	(840)
Finance costs	5	**162,503**	162,318
Working capital adjustments:			
Inventories		**(158)**	(622)
Accounts receivable and prepayments		**(43,371)**	(119,701)
Accounts payable, accruals and provisions		**8,146**	32,080
Lease rentals received	15	**281,800**	243,899
Net cash flows from operating activities		**662,122**	555,092
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,344)**	(114,055)
Payments for capital work in progress		**(87,324)**	(83,506)
Proceed from partial disposal of an associate		**40,289**	-
Dividends from a joint venture	13	**18,000**	82,769
Dividends from associates	12	**55,802**	39,708
Payment for acquisition of additional share in a subsidiary		**(4,946)**	-
Net cash outflow on acquisition of a subsidiary		**(88,671)**	-
Repayment of loan on acquisition of a subsidiary		**(163,103)**	-
Interest received		**1,067**	865
Net cash flows used in investing activities		**(241,230)**	(74,219)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	21	**1,194,337**	119,961
Interest bearing loans and borrowings repaid	21	**(2,074,602)**	(1,361,031)
Proceeds upon issuance of non-convertible Sukuk (net of transaction cost)	23	**1,828,643**	-
Cash coupon paid on mandatory convertible bonds		**-**	(43,222)
Islamic financing arrangement received	22	**-**	1,199,004
Islamic financing arrangement repaid	22	**(1,181,215)**	(38,785)
Payment for obligations under finance lease		**(4,374)**	(6,969)
Interest paid		**(129,523)**	(143,562)
Additional capital by non-controlling parties		**-**	905
Dividends paid to shareholders	8	**(217,242)**	(176,510)
Dividends paid to non-controlling interests holders		**(6,250)**	(2,345)
Net cash flows used in financing activities		**(590,226)**	(452,554)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(169,334)**	28,319
Cash and cash equivalents at 1 January		**418,280**	389,961
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**248,946**	418,280

The attached notes 1 to 32 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2018

1 GENERAL INFORMATION

National Central Cooling Company PJSC ("Tabreed" or the "Company") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

The Company's registered office is located at P O Box 32444, Dubai, United Arab Emirates.

The Group has not made any social contributions during the year.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2019.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws in the UAE.

The consolidated financial statements are prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value. The consolidated financial statements have been presented in United Arab Emirates Dirham ("AED") which is the reporting currency of the Group. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Tabreed and its subsidiaries (the "Group") as at 31 December 2018. 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, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results 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

2.2 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 the control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition
The Group recognises revenue from the following major sources:

- Supply of chilled water
- Rendering of services
- Connection fees
- Interest income
- Lease rentals

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Supply of chilled water
Revenue from supply of chilled water comprises of available capacity and variable output provided to customers and is recognised when control is transferred.

Rendering of services
Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised over time, if one of the following criteria is met:

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

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

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year. Finance income on finance lease receivables is included in revenue due to its operating nature.

Interest income
Interest income including interest on finance lease receivable is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset.

Connection fees
Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated statement of profit or loss.

Lease rental
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in the statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii) Group companies

The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the balance sheet reporting date and their statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Capital work in progress

Capital work in progress is recorded at cost incurred by the Group for the construction of the plants and distribution network. Allocated costs directly attributable to the construction of the assets are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and it is available for use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed and suspended projects or not attributable to qualifying assets are expensed in the period in which they are incurred.

For partially operational plants and distribution assets, the Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and related integrated assets	over 30 years
Buildings	over 50 years
Distribution assets	over 50 years
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

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.

The Group performs regular major overhauls of equipment of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.

An item of property, plant 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 the carrying amount of the asset) is included in consolidated statement of profit or loss in the year the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

Group as lessor – Finance leases

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Group as lessor – Operating leases

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and goodwill is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)
In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the plants.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 December.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Group initially recognises financial assets or financial liabilities designated at fair value through profit or loss, investments measured at fair value through other comprehensive income (FVTOCI) and investments measured at amortised cost on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Account receivable, finance lease receivables, account payables, interest bearing loans and borrowings, Islamic financing arrangements and non convertible Sukuk are recognised on the day they are originated.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

Financial assets

Classification

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non- derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the entity's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

A financial asset measured at amortised cost are categorised under such category if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in consolidated statement of comprehensive income and accumulated in the investments revaluation reserve. When the asset is disposed off, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated statement of profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed. Irrevocable designation of financial assets at FVTPL at initial recognition is made by the Group only if by doing so it eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the 'net investment income' line item.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS and is included in the 'net investment income' line item.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Write-off

Account receivables and lease receivables are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Measurement

Under IFRS 9 the loss allowance is based on the expected losses from defaults over the next 12 months unless there is a significant increase in credit risk. If there is a significant increase in credit risk, the allowance is measured as the present value of all credit losses projected for the instrument over its full lifetime. The Group applies simplified approach.

Fair value measurement principles

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair values of investments in mutual funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments including treasury bills, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same, or is based on the expected discounted cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value measurement principles (continued)

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The fair value of forward exchange contracts, interest rate swaps and option is calculated by reference to contracts with similar maturities.

The fair value of unquoted investments is determined by reference to discounted cash flows, pricing models or over-the-counter quotes.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts 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 assets and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Impairment

The Group recognizes loss allowances for Expected Credit Losses (ECL) on the account receivables and lease receivables that are not measured at FVTPL.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Trade receivables and finance lease receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings,

Probability of default (PD)

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

Loss Given Default (LGD)

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

Definition of default

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

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

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

Significant increase in credit risk

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale – purchase cost on the basis of weighted average cost.
- Work in progress – costs of direct materials and labour plus attributable overheads based on a normal level of activity.
- Finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity.

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

Contract work in progress
Contract work in progress represents cost plus attributable profit less provision for foreseeable losses and progress payments received and receivable.

Cash and short term deposits
Cash and short-term deposits 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 consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Assets classified as held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets classified as held for sale (continued)
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments permits the entire contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Financial guarantee contracts (continued)

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Group has not designated any financial guarantee contracts as at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

General
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. When 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 a provision is presented in the statement of profit or loss 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Management reviews its contracts annually.

Restructuring provisions
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Decommissioning liability
The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

Derivative financial instruments
A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at trade date, and are subsequently re- measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss under 'Net gain from dealing in foreign currencies and derivatives'.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

Derivatives designated as hedges are classified as either: (i) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or (iii) a hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Group documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVTOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge accounting (continued)

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.
Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

Hedge effectiveness testing
To qualify for hedge accounting, the Group requires that at the inception of the hedge and on an ongoing basis:
- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets all of the hedge effectiveness requirements, i.e.:
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship; and
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Derivatives that do not qualify for hedge accounting
All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in consolidated statement of profit or loss under 'Net gain from dealing in foreign currencies and derivatives'.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as asset held for sale. External valuers are involved for valuation of significant assets, such as land. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 32.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset 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 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that are required to be applied retrospectively with adjustment to made in the opening balance of equity.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

There is no impact on Group's revenue recognition due to application of IFRS 15. However, for one associate, the application of IFRS 15 resulted in revenue recognised on connection fees and upfront capacity charges in prior years being written back to retained earnings. This revenue will be recognised over the remaining life of the relevant contracts. The cumulative impact on the investment in associate and the retained earnings on the group's consolidated financial statements is AED 194 million in 2018 as disclosed in note 12.

The Group adopted IFRS 9 using the modified retrospective method of adoption.

The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables (note 16); and
- Finance lease receivables (note 15)

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of adoption of IFRS 9 resulted in additional credit loss allowance in trade receivables and finance lease receivable by AED 44.8 million and AED 36.6 million respectively and is disclosed in the consolidated statement of changes in equity.

2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IAS 40 Investment properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

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

For details of accounting policies of financial instruments under IAS 39, refer to Note 2.3 in the consolidated financial statements for the year ended December 31, 2017.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Disclosures relating to the Group's exposure to risks and uncertainties include:

• Capital management	Note 31
• Financial instruments risk management and policies	Note 31
• Sensitivity analysis disclosures	Note 31

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

IFRIC 4 Determining whether an Arrangement contains a Lease

Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company enters into Customer Cooling Services Agreements (the "Agreements") with its customers. To the extent such agreements are determined to contain a lease, the provisions of IAS 17 "leases" are applied to determine whether the Company has retained or transferred the significant risks and rewards of ownership of the related assets.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimate of the outcome of future events. The Group receives claims from its customers and suppliers as part of its ongoing business and records a provision based on assessment of reliability and probability of the outflow of economic resources.

Asset retirement obligation

The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from the respective customer or third party. The cost estimates relating to asset retirement obligations can vary in response to factors including changes to relevant legal requirements, the emergence of new techniques or experience at sites. The expected timing of expenditure can also change. However, the Group expects the financial impact of any such factors would be negligible.

Significant increase in credit risk

As explained in note 2, ECL are measured as an allowance equal to lifetime ECL for assets. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Provisions relating to contracts
The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The Group estimates any such provision based on the facts and circumstances relevant to the contract.

Determination of cash-generating unit (CGU)
A 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. Determining CGU require management to analyse the contractual terms and physical features of assets such as inter-connection and sharing of chilled water generation capabilities and requires significant judgement in determining at which level independent cash inflows are generated.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the consolidated financial statements when they occur.

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the asset compared to full utilisation capabilities of the asset and physical wear and tear. Management reviews the residual value and useful lives annually.

Impairment of non-financial assets – Indicators of impairment
Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units, property, plant and equipment, capital work in progress and intangible assets. A broad range of internal and external factors is considered as part of the indicator review process. Refer to note 11 for details on judgements and estimates applied by the management.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

Allowance for doubtful receivables at 31 December 2018 is AED 48.4 million (2017: AED 66.1 million(restated)).

Impairment of non-financial assets
Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Company to estimate the amount and timing of future cash flows, terminal value of the assets, cost to complete the construction of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

The net carrying amounts of non-financial assets affected by the above estimations are as follows:

	2018	*2017*
	AED '000	*AED '000*
Capital work in progress (note 10)	**104,270**	170,831
Property, plant and equipment (note 11)	**4,051,993**	3,745,386
Goodwill (note 14)	**28,527**	27,710

Impairment of accounts receivable, amounts due from related parties, finance lease receivable and loan to a joint venture.

An estimate of the collectible amount of accounts receivable, amounts due from related parties and finance lease receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance is applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 486.2 million (2017: AED 404.0 million) and impairment loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2018 was AED 13.0 million (2017: AED 12.0 million).

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory was AED 47.0 million (2017: AED 46.8 million). Allowance of AED 14.2 million was recognised as at 31 December 2018 (2017: AED 14.2 million). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated statement of profit or loss.

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	January 1, 2021
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively; - Assumptions for taxation authorities' examinations; - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and - The effect of changes in facts and circumstances.	January 1, 2019

2.6 New and revised IFRS in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Amendment to IAS 19 Employee Benefits: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these IFRSs and amendments will be adopted in the consolidated financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial information in respect of its leases. However, the impact of this is currently being assessed by the management.

3 REVENUE

	2018 AED '000	2017 AED '000
Supply of chilled water	**1,054,704**	1,023,041
Value chain business	**85,574**	82,132
Revenue	**1,140,278**	1,105,173
Operating lease income (note 30)	**110,248**	106,097
Finance lease income (note 15)	**196,359**	188,158
Lease income	**306,607**	294,255
	1,446,885	1,399,428

Revenue expected to be recognised in the future related to performance obligation that are unsatisfied (or partially unsatisfied):

	2018 AED '000	2017 AED '000
Within one year	**320,162**	311,531
After one but no more than five years	**1,258,457**	1,276,527
More than five years	**3,419,573**	3,721,665
	4,998,192	5,309,723

The performance obligation that is part of value chain business revenue is expected to have a duration of one year or less hence revenue expected to be recognised in the future related to performance obligations are not disclosed.

	2018 AED '000	2017 AED '000
Timing of transfer of goods and services:		
At a point in time	**45,579**	43,403
Over time	**1,094,699**	1,061,770
	1,140,278	1,105,173

4 OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies (note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

Segment performance is evaluated based on operating profit or loss and is measured consistently with the Group's operating profit or loss in the consolidated financial statements and is reviewed by the Group's CFO, CEO and Board of Directors on a quarterly basis. However, financing (finance costs and interest income) are managed on a group basis and are not allocated to operating segments.

	2018				*2017*			
	Chilled water AED'000	*Value chain business AED'000*	*Eliminations AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Eliminations AED'000*	*Total AED'000*
Revenue								
External revenue	1,361,311	85,574	-	1,446,885	1,317,296	82,132	-	1,399,428
Inter-segment revenue	-	22,572	(22,572)	-	-	23,786	(23,786)	-
Total revenue	1,361,311	108,146	(22,572)	1,446,885	1,317,296	105,918	(23,786)	1,399,428
Operating costs	(730,743)	(66,946)	13,732	(783,957)	(721,943)	(64,815)	14,994	(771,764)
Gross profit	630,568	41,200	(8,840)	662,928	595,353	41,103	(8,792)	627,664
Administrative and other expenses	(182,059)	(25,794)	4,148	(203,705)	(168,131)	(32,133)	4,707	(195,557)
Operating profit	448,509	15,406	(4,692)	459,223	427,222	8,970	(4,085)	432,107
Finance costs	-	-	-	(162,503)	-	-	-	(162,318)
Finance income	-	-	-	1,060	-	-	-	840
Other gains and losses	-	-	-	43,246	-	-	-	2,351
Share of results of associates and joint ventures	90,290	-	-	90,290	128,790	-	-	128,790
				431,316				401,770

4 OPERATING SEGMENTS (continued)

Inter-segment revenues are eliminated on consolidation.

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	2018			2017		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Depreciation	**143,814**	**5,748**	**149,562**	133,144	7,044	140,188

Segment assets and liabilities are as follows:

	2018				2017			
	Chilled water AED'000	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*
Segment assets	**7,744,043**	**143,419**	**-**	**7,887,462**	7,660,143	160,047	-	7,820,190
Investments in associates	**528,053**	**-**	**-**	**528,053**	702,318	-	-	702,318
Investment in joint ventures	**51,228**	**-**	**-**	**51,228**	123,881	-	-	123,881
Unallocated assets	**5,000**	**-**	**12,527**	**17,527**	-	-	49,228	49,228
Total assets	**8,328,324**	**143,419**	**12,527**	**8,484,270**	8,486,342	160,047	49,228	8,695,617
Segment liabilities	**692,741**	**65,017**	**-**	**757,758**	674,989	54,983	-	729,972
Unallocated liabilities	**-**	**-**	**2,989,044**	**2,989,044**	-	-	3,168,625	3,168,625
Total Liabilities	**692,741**	**65,017**	**2,989,044**	**3,746,802**	674,989	54,983	3,168,625	3,898,597

Unallocated assets represent bank deposits of AED17.5 million (2017: AED 49.2 million) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 1,160.2 million (2017: AED 2,009.1 million), Non-convertible Sukuk of AED 1,828.8 million (2017: AED Nil), Islamic financing arrangement of AED nil (2017: AED 1,155.2 million) and obligations under finance lease of AED nil (2017: AED 4.4 million).

Other segment disclosures :

	2018			2017		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Capital expenditure:						
Property, plant and equipment	**4,305**	**694**	**4,999**	18,467	2,218	20,685
Capital work in progress	**91,978**	**-**	**91,978**	74,986	-	74,986

4 OPERATING SEGMENTS (continued)

Geographic information

The following tables present certain non-current assets and revenue information relating to the Group based on geographical location of the operating units:

	Revenue		*Non-current assets*	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
United Arab Emirates	**1,376,818**	1,339,268	**6,329,904**	6,156,686
Others	**70,067**	60,160	**479,936**	502,347
	1,446,885	1,399,428	**6,809,840**	6,659,033

For this purpose, non-current assets comprise of capital work in progress, property, plant and equipment, finance lease receivables and goodwill.

Revenue from external customers

The following table provides information relating to the Group's major customers, which contribute more than 10% towards the Group's revenue for the year ended 31 December 2018 and 31 December 2017.

	2018	*2017*
	AED'000	*AED'000*
Chilled water segment:		
Customer 1	**366,332**	357,386
Customer 2	**256,433**	263,936
Customer 3	**135,077**	131,111
	757,842	752,433

5 FINANCE COSTS

	2018	*2017*
	AED '000	*AED '000*
Gross interest charge for the year	**162,503**	162,318
Less: interest capitalised during the year	**-**	-
Interest charged to consolidated statement of profit or loss during the year	**162,503**	162,318
Interest charged to consolidated statement of profit or loss comprises of:		
Interest on interest bearing loans and borrowings	**102,848**	114,261
Profit on Islamic financing arrangements including sukuk	**49,383**	22,883
Profit recognised on settlement of cash flow hedges	**(12,211)**	-
Accretion expense on mandatory convertible bonds	**-**	3,456
Interest element of obligations under finance lease	**140**	780
Amortisation of transaction costs	**14,897**	15,728
Other finance costs	**7,446**	5,210
	162,503	162,318

6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2018 AED '000	2017 AED '000
Costs of inventories recognised as an expense	**39,518**	32,292
Depreciation (note 11)	**141,377**	133,430
Utility costs	**438,845**	435,213
Purchase of chilled water from a related party (note 28)	**99,167**	99,359
Staff and Others	**65,050**	71,470
	783,957	771,764

6.2 Administrative and other expenses

	2018 AED '000	2017 AED '000
Staff costs	**138,191**	129,191
Depreciation (note 11)	**8,185**	6,758
Allowance for impairment of trade receivables (note 16)	**13,112**	11,972
Other administrative and general expenses	**44,217**	47,636
	203,705	195,557

7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2018	*2017*
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (*AED '000*)	**427,628**	400,113
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	**2,713,513**	1,483,957
Effect of mandatory convertible bond ('000)	**-**	1,229,556
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	**2,713,513**	2,713,513
Basic and diluted earnings per share *(AED)*	**0.16**	0.15

The Company does not have any instruments which would have a dilutive impact on earnings per share when exercised.

8 DIVIDENDS AND BOARD REMUNERATION

On 30 January 2019, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution to shareholders of dividend of 9.5 fils per share in respect of the fiscal year ended 31 December 2018.

The Board of Directors proposed a cash dividend of 8.0 fils per share pertaining to common shareholders in respect of the fiscal year ended 31 December 2017. The shareholders at the Annual General Meeting held on 7 March 2018 approved the dividend. The dividend comprised of AED 217.2 million to the common shareholders was paid in April 2018.

In 2017, The Board of Directors proposed a cash dividend of 6.5 fils per share pertaining to both common shareholders and mandatory convertible bondholder in respect of the fiscal year ended 31 December 2016. The dividend was approved by the shareholders at the Annual General Meeting held on 6 March 2017. The dividend comprised of AED 48.0 million to the common shareholders and AED 128.5 million to the mandatory convertible bond holder and was paid in April 2017.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2017 was also approved at the Annual General Meeting held on 7 March 2018. Board remuneration of AED 7.1 million for the year ended 31 December 2016 was approved at the previous Annual General Meeting on 6 March 2017.

9 SUBSIDIARIES AND MATERIAL PARTLY-OWNED SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

	Country of incorporation	*Percentage of holding 2018*	*Percentage of holding 2017*	*Principal activities*
Chilled water segment				
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100	Selling of chilled water
Summit District Cooling Company	UAE	100	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	99.8	90	Selling of chilled water
Tabreed Oman SAOC	Oman	61	61	Selling of chilled water
Tabreed LLC Oman	Oman	100	100	Selling of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	100	100	Operation and maintenance of plants
Tabreed Parks Investment LLC	UAE	100	100	Selling of chilled water
Prime District Cooling Company LLC	UAE	75	75	Selling of chilled water
S&T Cool District Cooling Company LLC (note 13 &27)	UAE	100	50	Selling of chilled water
Value chain business segment				
Gulf Energy Systems LLC	UAE	100	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	60	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	100	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	100	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	70	70	Design and supervision consultancy
Sahara Cooling and Air Conditioning LLC	UAE	51	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
Tasleem Metering and Payment LLC	UAE	100	100	Billing and collection of chilled water charges from residential and retail
Others - Unallocated				
Tabreed Holdings WLL	Bahrain	100	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC	UAE	100	100	Act as a holding company

None of the subsidiaries have material non-controlling interests.

10 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the year is as follows:

	2018 AED '000	*2017 AED '000*
Balance at 1 January	165,063	109,741
Additions during the year	90,478	74,986
Provision for capital inventory	(25,826)	-
Transfer to property, plant and equipment (note 11)	(103,945)	(19,664)
Transfer to finance lease (note 15)	(31,911)	-
	93,859	165,063
Advances to contractors	10,411	5,768
Balance at 31 December	104,270	170,831

During the year, the Group made a provision of AED 25.8 million for slow moving capital inventory which is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

Refer to note 11 for indicators and impairment assessment of cash generating units.

11 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED'000	Distribution network AED'000	Furniture and fixtures AED'000	Office equipment and instruments AED'000	Motor vehicles AED'000	Total AED'000
2018						
Cost:						
At 1 January 2018	3,526,229	2,218,994	8,108	46,216	1,178	5,800,725
Additions	2,412	730	88	1,620	149	4,999
Acquisition through business combination	250,327	132,554	-	-	-	382,881
Transfer from capital work in progress (note 10)	89,199	2,276	12,470	-	-	103,945
Transfer to finance lease (note15)	(12,320)	-	-	-	-	(12,320)
At 31 December 2018	3,855,847	2,354,554	20,666	47,836	1,327	6,280,230
Depreciation:						
At 1 January 2018	727,861	309,672	6,979	33,567	1,009	1,079,088
Depreciation for the year	94,919	49,816	732	3,985	110	149,562
Transfer to finance lease (note 15)	(2,086)	-	-	-	-	(2,086)
At 31 December 2018	820,694	359,488	7,711	37,552	1,119	1,226,564
Net carrying amount before accumulated impairment:						
At 31 December 2018	3,035,153	1,995,066	12,955	10,284	208	5,053,666
Impairment:						
At 1 January 2018 and at 31 December 2018	514,931	461,320	-	-	-	976,251
Impairment during the year	12,760	12,662	-	-	-	25,422
	527,691	473,982	-	-	-	1,001,673
Net carrying amount after accumulated impairment:						
At 31 December 2018	2,507,462	1,521,084	12,955	10,284	208	4,051,993

	Land, plant and buildings AED'000	Distribution network AED'000	Furniture and fixtures AED'000	Office equipment and instruments AED'000	Motor vehicles AED'000	Total AED'000
2017						
Cost:						
At 1 January 2017	3,506,099	2,202,336	7,949	42,915	1,077	5,760,376
Additions	3,799	13,365	159	3,261	101	20,685
Transfer from capital work in progress (note 10)	16,331	3,293	-	40	-	19,664
At 31 December 2017	3,526,229	2,218,994	8,108	46,216	1,178	5,800,725
Depreciation:						
At 1 January 2017	640,039	262,014	6,204	29,671	972	938,900
Depreciation for the year	87,822	47,658	775	3,896	37	140,188
At 31 December 2017	727,861	309,672	6,979	33,567	1,009	1,079,088
Net carrying amount before accumulated impairment:						
At 31 December 2017	2,798,368	1,909,322	1,129	12,649	169	4,721,637
Impairment:						
At 1 January 2017 and at 31 December 2017	514,931	461,320	-	-	-	976,251
Net carrying amount after accumulated impairment:						
At 31 December 2017	2,283,437	1,448,002	1,129	12,649	169	3,745,386

11 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated as follows:

	2018	*2017*
	AED '000	*AED '000*
Included in operating costs (note 6.1)	**141,377**	133,430
Included in administrative and other expenses (note 6.2)	**8,185**	6,758
	149,562	140,188

Due to the general economic slowdown, the Group made a provision of AED 25.4 million for impairment of its plant in Bahrain, which is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

The Group applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment and capital work in progress approved by the Group's management and Board of Directors.

The calculation of value in use is most sensitive in the following judgements and assumptions:

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant,
  a. contracted but not connected at year end; and
  b. not connected at year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Group's weighted average cost of capital (WACC) of 7.5% - 8.5% (2017: 7.5% - 8.5%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		Ownership	
	Country of incorporation	***2018***	*2017*
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**20%**	25%
Sahara Cooling Limited	United Arab Emirates	**40%**	40%

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investment in associates is as follows:

	2018	*2017*
	AED '000	*AED '000*
At 1 January	**702,318**	640,516
Impact of implementation of IFRS 15 (i)	**(194,030)**	-
At 1 January (restated)	**508,288**	640,516
Share of results for the year	**72,850**	103,470
Dividends received	**(55,802)**	(39,708)
Carrying value of partial disposal of an associate(ii)	**(20,958)**	-
Gain on deemed disposal in an associate(ii)	**19,275**	-
Share of changes in fair value of effective cash flow hedges	**3,072**	(1,358)
Adjustments for inter group transactions	**1,328**	(602)
At 31 December	**528,053**	702,318

The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are identical to Tabreed.

(i) The Group has adopted IFRS 15 from 1 January 2018 and it has resulted in adjustment in value of investment in an associate due to change in revenue recognition of the associate in accordance with the requirements of IFRS 15. The adjustments were accounted for using modified retrospectively approach (note 2.4) as permitted under the transitional provisions of IFRS 15.

(ii) During the period, an associate of the Group, Tabreed District Cooling Company (Saudi), introduced a new shareholder, in part by the issuance of new shares and in part through purchases of existing shares from all the current shareholders of Tabreed District Cooling Company (Saudi). As a result, the Group's holding in Saudi Tabreed was reduced from 25% to 20%. The transaction resulted in a gain of AED 13.3 million (net of tax and transaction costs) on disposal of existing shares to the new shareholder and AED 19.3 million on the issuance of new shares to the new shareholder at a premium. The gain is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

12 INVESTMENTS IN ASSOCIATES (continued)

The following illustrates summarised financial information of the Group's investments in associates:

	Qatar Central Cooling Company PJSC AED 000'	*Tabreed District Cooling Company (Saudi) AED 000'*	*Others AED 000'*	*Total AED 000'*
2018				
Current assets	**453,230**	**409,796**	**94,042**	**957,068**
Non-current assets	**1,654,262**	**1,815,482**	**367,776**	**3,837,520**
Current liabilities	**(324,735)**	**(241,531)**	**(53,409)**	**(619,675)**
Non-current liabilities	**(1,187,913)**	**(1,105,864)**	**(171,043)**	**(2,464,820)**
Net assets	**594,844**	**877,883**	**237,366**	**1,710,093**
Tabreed's share of net assets	**261,731**	**175,577**	**90,745**	**528,053**
2017				
Current assets	310,247	419,008	125,248	854,503
Non-current assets	1,506,664	1,667,442	385,889	3,559,995
Current liabilities	(241,700)	(178,653)	(47,957)	(468,310)
Non-current liabilities	(623,379)	(1,130,813)	(219,260)	(1,973,452)
Net assets	951,832	776,984	243,920	1,972,736
Tabreed's share of net assets	418,806	194,246	89,266	702,318
2018				
Revenue	**397,910**	**240,741**	**107,416**	**746,067**
Cost of sales	**(193,116)**	**(84,061)**	**(50,665)**	**(327,842)**
Administrative and other expenses	**(103,550)**	**(23,939)**	**(9,943)**	**(137,432)**
Other Income	**3,422**	**32,516**	**113**	**36,051**
Net finance cost	**(23,910)**	**(55,401)**	**(9,850)**	**(89,161)**
Other Charges	**(3,593)**	-	-	**(3,593)**
Profit for the year	**77,163**	**109,856**	**37,071**	**224,090**
Tabreed's share of results for the year	**33,952**	**21,971**	**16,927**	**72,850**
2017				
Revenue	395,273	278,074	119,409	792,756
Cost of sales	(169,410)	(89,507)	(54,779)	(313,696)
Administrative and other expenses	(92,553)	(28,380)	(2,997)	(123,930)
Other Income	-	35,096	10,023	45,119
Net finance cost	(11,726)	(56,848)	(11,137)	(79,711)
Other Charges	(10,332)	-	-	(10,332)
Profit for the year	111,252	138,435	60,519	310,206
Tabreed's share of results for the year	48,951	34,609	19,910	103,470

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 2.7 million (2017: AED 5.8 million). Summarised financial information of the Group's investments in associates is adjusted for intercompany transactions.

13 INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

		Ownership	
	Country of incorporation	*2018*	*2017*
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	**51%**	51%
S&T Cool District Cooling Company LLC (note27)	United Arab Emirates	**100%**	50%
Business District Cooling Investment LLC	United Arab Emirates	**50%**	50%

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements as both the shareholders jointly control and have equal rights to the net assets.

S&T Cool District Cooling Company LLC (S&T), a limited liability company, incorporated in Emirate of Abu Dhabi, is involved in the same business activity as Tabreed. The Group's interest in S&T for the year ended 31 December 2017 was accounted for using the equity method in the consolidated financial statements. During the year, the Group acquired the other 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity and disclosed as wholly owned subsidiary (note 27).

The reporting date for the joint ventures is identical to Tabreed.

Movement in investments in joint ventures is as follows:

	2018	*2017*
	AED '000	*AED '000*
At 1 January	**123,881**	185,580
De-recognition of investment in joint ventures and recognition as subsidiary (note 27)	**(71,123)**	-
Share of results for the year	**17,440**	25,321
Dividends	**(18,000)**	(82,769)
Share of changes in fair value of effective cash flow hedges	**2,250**	620
Adjustments for inter group transactions	**(3,221)**	(4,871)
At 31 December	**51,227**	123,881
Share of the joint ventures' revenues and profits:		
Revenues	**77,625**	92,755
Profit for the year	**17,440**	25,321

13 INVESTMENTS IN JOINT VENTURES (continued)

The following illustrates summarised financial information of the Group's investment in joint ventures:

	2018 AED '000	2017 AED '000
Revenue	**155,058**	185,032
Cost of sales	**(90,256)**	(90,400)
Administrative and other expenses	**(8,619)**	(12,951)
Other Income	**192**	171
Net finance cost	**(21,519)**	(31,230)
Profit for the year	**34,856**	50,622
Tabreed's share of results for the year	**17,440**	25,321

	2018 AED '000	2017 AED '000
Current assets	**97,146**	235,933
Non-current assets	**894,641**	1,257,782
Current liabilities	**(189,569)**	(377,546)
Non-current liabilities	**(699,765)**	(869,043)
Total net assets	**102,453**	247,126
Tabreed's share of net assets	**51,227**	123,881

Net assets of joint ventures include the Company's share of negative fair value of derivatives of a joint venture amounting to AED 18.9 million (2017: AED 21.2 million). Summarised financial information of the Group's investments in joint ventures is adjusted for intercompany transactions.

None of the joint ventures are individually material to the Group.

14 Goodwill

	2018 AED '000	2017 AED '000
At 1 January	**27,710**	27,710
Additional goodwill on acquisition (note 27)	**817**	-
At 31 December	**28,527**	27,710

Ian Banham & Associates

The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2023. The discount rate applied to the cash flow projections is 25% (2017: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2017: 3%).

15 FINANCE LEASE RECEIVABLES

Movement in the finance lease receivables during the year is as follows:

	2018 *AED '000*	*2017* *AED '000*
At 1 January	**2,957,744**	3,013,485
Impact of implementation of IFRS 9	**(36,675)**	-
At 1 January (restated)	**2,921,069**	3,013,485
Initial recognition of new finance lease receivables during the year (i)	**34,338**	-
Finance lease income (note 3)	**196,359**	188,158
Lease rentals received	**(281,800)**	(243,899)
At 31 December	**2,869,966**	2,957,744

Analysed in the consolidated statement of financial position as follows:

	2018 *AED '000*	*2017* *AED '000*
Current assets	**244,916**	242,638
Non-current assets	**2,625,050**	2,715,106
	2,869,966	2,957,744

Future minimum lease receivables under finance leases together with the present value of net minimum lease receivables are as follows:

	2018		*2017*	
	Minimum lease receivables AED '000	***Present value of minimum lease AED '000***	*Minimum lease receivables AED '000*	*Present value of minimum lease AED '000*
Within one year	**256,692**	**244,524**	250,883	242,638
After one but no more than five years	**1,092,477**	**891,869**	1,057,596	876,162
More than five years	**3,482,525**	**1,733,573**	3,784,481	1,838,944
	4,831,694	**2,869,966**	5,092,960	2,957,744
Unearned revenue	**(1,961,728)**	**-**	(2,135,216)	-
	2,869,966	**2,869,966**	2,957,744	2,957,744

Movement in unearned revenue is as follows:

	2018 *AED '000*	*2017* *AED '000*
At 1 January	**2,135,216**	2,323,374
Relating to new finance leases	**22,871**	-
Recognised during the year (note 3)	**(196,359)**	(188,158)
At 31 December	**1,961,728**	2,135,216

No unguaranteed residual value to the benefit of the lessor is assumed for the purpose of the above calculation.

15 FINANCE LEASE RECEIVABLES (continued)

(i) During the year, the Company completed construction of a new district cooling plant for an existing customer and signed a cooling agreement with the customer. Management has carried out an assessment of the arrangement to provide cooling services to the customer through the plant in accordance with the terms of the agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the plant and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the plant to the customer.

Accordingly, the carrying amount of the plant and related distribution network was transferred from capital work in progress and finance lease receivable was recorded at fair value at the inception of the Agreement.

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018	*2017*
	AED '000	*AED '000*
Trade receivables, net	**437,781**	382,079
Amounts due from related parties (note 28)	**16,424**	31,734
Advances to contractors and employees	**12,560**	15,336
Contract work in progress	**-**	13,959
Deposits and other receivables	**86,515**	58,511
Prepayments	**15,202**	15,200
	568,482	516,819

As at 31 December 2018, trade receivables with a nominal value of AED 48.4 million (2017: AED 66.1 million (restated)) were provided for as per the requirement IFRS 9 expected credit loss model. Movements in the provision for impairment of trade receivables were as follows:

	2018	*2017*
	AED '000	*AED '000*
At 1 January	**21,246**	16,244
Impact of implementation of IFRS 9	**44,825**	-
At 1 January (restated)	**66,071**	16,244
Charge for the year (note 6.2)	**13,112**	11,972
Amounts recovered	**(30,803)**	-
Amounts written off	**-**	(6,970)
At 31 December	**48,380**	21,246

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

As at 31 December, the ageing analysis of trade receivables and amounts due from related parties is as follows:

	Total	*Current*	*< 30 days*	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	*120 – 365 days*	*>365 days*
2018								
Gross Receivable (AED'000)	**502,585**	**254,943**	**83,735**	**54,558**	**17,266**	**6,771**	**42,358**	**42,954**
Provision %	**9.6%**	**1.5%**	**4.0%**	**4.1%**	**17.3%**	**23.6%**	**32.1%**	**48.4%**
Provision (AED'000)	**48,380**	**3,818**	**3,367**	**2,244**	**2,977**	**1,598**	**13,607**	**20,769**
Net Receivable (AED'000)	**454,205**	**251,125**	**80,368**	**52,314**	**14,289**	**5,173**	**28,751**	**22,185**
2017								
Gross Receivable (AED'000)	435,059	219,909	61,342	38,453	20,195	6,895	30,853	57,412
Provision %	15%	0.1%	1.8%	15.7%	32.0%	62.0%	30.3%	67.3%
Provision (AED'000)	66,071	236	1,089	6,031	6,453	4,272	9,348	38,642
Net Receivable (AED'000) (as previously reported))	413,813	219,909	61,342	38,453	20,195	6,895	30,853	36,166

Trade receivables are non-interest bearing and are generally on 30 – 60 days terms. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured. For terms and conditions relating to related party receivables, refer to note 28.

17 CASH AND BANK DEPOSITS

Bank balances and cash included in the consolidated statement of financial position and in the consolidated statement of cash flows:

	2018 *AED '000*	*2017* *AED '000*
Bank balances and cash	**231,419**	369,053
Bank deposits	**17,527**	49,227
Cash and cash equivalents as at 31 December	**248,946**	418,280

Included in the bank balances is an amount of AED 6.9 million (2017: AED 77.7 million) placed in debt service reserve accounts in relation to bank facilities and an amount of AED 23.9 million (2017: AED 26.2 million) held as cash margin against trade related bank guarantees and letters of credit.

Bank deposits attract a fixed rate of interest ranging from 1% to 2.63% per annum (2017: 0.95% to 2.75% per annum).

Geographical concentration of cash and bank deposits is as follows:

	2018 *AED '000*	*2017* *AED '000*
Within UAE	**222,716**	407,492
Outside UAE	**26,230**	10,788
	248,946	418,280

The table below details changes in the Group's labilities arising from financing activities, including both cash and non-cash changes.

	Interest bearing loans and borrowings *AED '000*	Islamic financing arrangements *AED '000*	Non-Convertible Sukuk *AED '000*	*Total* *AED '000*
Balance at 1 January 2018	2,009,079	1,155,172	-	3,164,251
Financing cash flows	(880,265)	(1,181,215)	1,828,643	(232,837)
Non cash transaction:				
Amortisation of transaction cost (note 5)	11,710	3,036	151	14,897
Transaction cost write off	19,667	23,007	-	42,674
Balance at 31 December 2018	1,160,191	-	1,828,794	2,988,985

18 ISSUED CAPITAL

	2018 AED '000	*2017* AED '000
Balance at 1 January	**2,715,529**	738,490
Issue of new shares upon conversion of MCBs	-	1,977,039
Balance at 31 December	**2,715,529**	2,715,529

	2018 AED '000	*2017* AED '000
Authorised, issued and fully paid up share capital		
Shares 2,715,529,123 (2017: 2,715,529,123) ordinary shares of AED 1 each	**2,715,529**	2,715,529

On 16 August 2017, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares. A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion.

On conversion, Mubadala Investment Company sold 40% of the Company's total ordinary shares to a new shareholder, Kahrabel FZE, which is a subsidiary of ENGIE.

19 TREASURY SHARES

The Company set up an employee incentive scheme in accordance with the Board of Directors resolution dated 17 December 2000, and contributed to a separate account for the purchase of the Company's ordinary shares and to act as a custodian for such shares. The Company retains the significant risks and rewards associated with those shares.

20 RESERVES

Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the articles of association of the Company, 10% of the profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

Other reserve

During 2017, the group transferred AED 61.2 million to other reserve upon conversion of mandatory convertible bonds into ordinary shares (note 18).

In addition to the above, other reserve includes amounts transferred on repurchase of Mandatory Convertible Bonds (MCB) 08 on 19 May 2011 through delivery of 415,683,447 shares. AED 1,145.2 million represents difference between the total of liability and equity components extinguished and shares issued. The reserve also includes an amount of AED 8.7 million created on settlement of subordinated loan facility - Tranche B into mandatory convertible bonds in 2012.

During the year 2014, the Company's Board of Directors resolved to transfer an amount of AED 137.8 million from the other reserve to retained earnings.

20 RESERVES (continued)

Other reserve (continued)

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during 2014 an amount of AED 54.4 million was transferred to other reserve which represents the difference between the carrying of MCB-4 and the amount attributable to share capital.

Further, during 2015, the Company repurchased a portion of MCB-1B that resulted in a one off charge to the other reserves amounting to AED 209.3 million.

21 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	***2018 AED '000***	*2017 AED '000*
Term loan 1- Facility A (i)	EIBOR + margin	-	149,263
Term loan 1- Facility B (i)	EIBOR + margin	-	1,424,426
Revolving credit facility (i)	EIBOR + margin	-	-
Term loan 2 (ii)	LIBOR + margin	**840,417**	-
Term loan 3(iii)	LIBOR + margin	-	115,048
Term loan 4 (iv)	5.15%	**72,702**	65,096
Term loan 5 (v)	EIBOR + margin	**174,095**	180,470
Term loan 6 (vi)	EIBOR + margin	**72,977**	74,776
		1,160,191	2,009,079

Analysed in the consolidated statement of financial position as follows:

	2018 AED '000	*2017 AED '000*
Current portion	**143,665**	164,457
Non-current portion	**1,016,526**	1,844,622
	1,160,191	2,009,079

(i) Term loan 1 – facility (A, B and revolving credit facility)

Facility A

During the year, the Group settled the term loan 1 in full through the issuance of Sukuk (note 23) and through obtaining new corporate facility amounting to US$ 250 million (note ii) from the local banks.

(ii) Term loan 2

During the year, the Group obtained a new facility of US$ 250 million from the local banks to repay part of the Term Loan 1. The facility carries interest rate of LIBOR plus a margin, payable in cash on a quarterly basis and is secured by pari passu charge over property, plant and equipment. The facility is repayable in 10 fixed semi-annual instalments commencing on December 2018 with a bullet payment of 30% on 31 December 2023. During the year, total repayments of AED 64.3 million were made against this facility.

A revolving facility of AED 590 million is also obtained by the Group which is to be utilised in the form of drawing cash advances. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 December 2023. As of 31 December 2018, the Company has no utilise of balance from the revolving facility.

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

(iii) Term loan 3
Term loan 3 relating to a subsidiary borrowing is settled in full during the year through the issuance of Sukuk (note 23)

(iv) Term loan 4
Term loan 4 relating to a subsidiary borrowing with a local commercial bank, the loan is repayable in quarterly instalments and carries fixed interest of 5.15% per annum. The loan is secured by pari passu charge over plant and machinery. During the year, total drawdown of AED 20.0 million and total repayments of AED 4.8 million were made against this facility.

(v) Term loan 5
Term loan 5 relating to a subsidiary borrowing facility from a local commercial bank amounting to AED 192.5 million which was obtained to finance the construction of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 23 semi-annual instalments commencing on March 2017 with a bullet payment of AED 48.1 million in March 2028. During the year, total repayments of AED 6.3 million were made against this facility.

(vi) Term loan 6
Term loan 6 relating to a subsidiary borrowing facility from a local commercial bank amounting to AED 77.9 million which was obtained to finance the acquisition of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 30 June 2031. During the year, total repayments of AED 1.9 million were made against this facility.

As part of the Group's refinancing, an amount of AED 19.7 million has been written off relating to the unamortised transaction cost of Term Loan 1 and is recorded under other gains and losses in the consolidated statement of profit or loss.

Included in the interest bearing loans and borrowings is an amount of AED 14.0 million (2017: AED 35.1 million) of unamortised transaction cost.

22 ISLAMIC FINANCING ARRANGEMENT

	Effective profit rate %	***2018*** ***AED '000***	*2017* *AED '000*
Islamic financing facility -Tranche 1	EIBOR + margin	-	970,534
Islamic financing facility -Tranche 2	EIBOR + margin	-	184,638
		-	1,155,172

Analysed in the consolidated statement of financial position as follows:

	2018 ***AED '000***	*2017* *AED '000*
Current portion	-	65,292
Non-current portion	-	1,089,880
	-	1,155,172

During the year, the Group settled its existing Islamic financing arrangement facility in full through the issuance of new investment grade 7 year Islamic Bonds (Sukuk) of US$ 500 million listed on the London Stock Exchange (note 23).

As part of the Group's refinancing, an amount of AED 23.0 million has been written off relating to the unamortised transaction cost of Islamic financing arrangement and is recorded under other gains and losses in the consolidated statement of profit or loss.

23 NON-CONVERTIBLE SUKUK

	2018 **AED '000**	*2017* AED '000
Non-convertible Sukuk	**1,828,794**	-

During the year, the Group issued a new 7 year investment grade Islamic Bonds (Sukuk) of US$ 500 million which is listed on the London Stock Exchange. The bond carries profit rate of 5.5% payable semi-annually. The bond is repayable on 31 October 2025. The proceeds of the bonds were utilised to repay the portion of Term Loan 1, full settlement of Term Loan 3 (note 21) and full settlement of Islamic financing arrangement (note 22).

The loan is stated net of discount and transaction costs incurred in connection with the loan arrangements, amounting to AED 7.8 million, which are amortised to the consolidated statement of profit or loss over the repayment period of the notes using effective interest rate method.

24 OBLIGATIONS UNDER FINANCE LEASE

During 2006, the Company entered into a sale and lease back agreement with a third party relating to certain plants (note 11) for an amount of AED 55.8 million. The lease carries interest at an effective rate of 9.5% per annum and is repayable in monthly instalments over a period of 12 years. During the year, the company repaid its obligation in full and has settled the liability.

Future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	2018		*2017*	
	Minimum lease payments AED '000	***Present value of payments AED '000***	*Minimum lease payments AED '000*	*Present value of payments AED '000*
Within one year	-	-	4,517	4,374
After one year but not more than five years	-	-	-	-
	-	-	4,517	4,374
Less: amounts representing finance charges	-	-	(143)	-
Present value of minimum lease payments	-	-	4,374	4,374

The finance lease liability is classified in the consolidated statement of financial position as follows:

	2018 AED '000	*2017 AED '000*
Current	-	4,374
Non-current	-	-
	-	4,374

25 EMPLOYEES' END OF SERVICE BENEFITS

The Company provides for employees' end of service benefits in respect of its expatriate employees in accordance with the employees' contracts of employment. The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2018 AED '000	*2017 AED '000*
Balance at 1 January	**25,976**	22,649
Net movement during the year	**3,279**	3,327
Balance at 31 December	**29,255**	25,976

26 ACCOUNTS PAYABLE AND ACCRUALS

	2018 *AED '000*	*2017* *AED '000*
Non-current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**14,079**	14,079
Others:		
Other payables and provisions	**88,838**	114,365
	102,917	128,444
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**61,459**	50,685
Accrued expenses	**25,063**	54,929
	86,522	105,614
Others:		
Accounts payable	**46,663**	62,543
Due to related parties (note 28)	**40,340**	33,943
Accrued expenses	**223,047**	192,058
Derivative financial instruments(i)	**(796)**	10,770
Other payables and provisions	**229,869**	170,624
	539,123	469,938
	625,645	575,552

(i)The group has entered into interest rate swaps (IRS) for the interest borrowing loans s denominated in AED, which are designated as a hedging instrument (note 32).

In 2014, the Company has recognised a provision of AED 102 million on an onerous contract with an associate for the purchase of chilled water related to plants covered under a cooling agreement with a customer. During the year, the Company has released an amount of AED 2.3 million (2017: AED 5.4 million)

Terms and conditions of the financial liabilities:

Accounts payable and other financial liabilities are non-interest bearing and are normally settled on 60 day terms.

Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contracts.

For terms and conditions relating to related parties, refer to note 28.

27 Business combination

In March 2018, the Group acquired 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity. The acquisition has been accounted for using step acquisition method in accordance with IFRS 3 Business Combination.

The fair values of the identifiable assets and liabilities of S&T Cool District Cooling Company LLC as at the date of acquisition were:

	AED '000
Assets	
Property, plant and equipment	382,881
Trade and other receivables	30,249
Bank balances and cash	15,135
	428,265
Liabilities	
Loans and borrowings	(163,103)
Accounts payables, advances and accruals	(34,922)
	(198,025)
Fair value of net assets acquired	**230,240**
Goodwill arising on acquisition	817
Purchase consideration	**231,057**

	AED '000
Fair value of existing 50% share holding	115,120
Less: Carrying value of existing 50% investment	(71,123)
Gain on fair valuation of existing shareholding	**43,997**

	AED '000
Consideration to be paid in cash (i)	103,806
Discounted deferred consideration arrangement	12,131
Fair value of existing share holding	115,120
Purchase consideration	**231,057**

The gain resulted due to fair valuation of existing ownership of 50% of AED 44.0 million is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

(i) In addition to cash consideration of AED 103,806 thousand, the Company agreed to repay loan of AED 163,103 thousand to the seller as part of acquisition, which was repaid on 4th April 2018. This payment is included in investing activities in the consolidated statement of cash flows.

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, joint ventures, directors and key management personnel of the Company, management entities engaged by the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2018		*2017*	
	Revenue AED '000	*Operating costs AED '000*	*Revenue AED '000*	*Operating costs AED '000*
Associated companies	5,003	99,167	4,838	99,359
Joint Venture	4,545	-	5,364	-

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

	2018	
	Accounts receivable AED'000	*Accounts payables and advances AED'000*
Associated companies	14,863	40,340
Joint venture	1,561	-
	16,424	40,340

	2017	
	Accounts receivable AED'000	*Accounts payables and advances AED'000*
Associated companies	27,825	33,943
Joint venture	3,909	-
	31,734	33,943

During the year, the company entered into a management and technical services agreement with a shareholder amounting to AED 3 million.

28 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Terms and conditions of transactions with related parties

Transactions with related parties are made at agreed terms and conditions approved by management and are analysed as follows:

	Terms and conditions	***2018*** ***AED '000***	*2017* *AED '000*
Accounts receivable	Interest free, unsecured, settled over agreed payment terms	**16,424**	31,734
Accounts payable	Interest free, unsecured, settled over normal credit period	**40,340**	33,943

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, amounts owed by related parties with a nominal value of AED nil (2017: AED 1.3 million) were impaired and fully provided for. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2018 ***AED '000***	*2017* *AED '000*
Short-term benefits	**10,985**	10,214
Employees' end of service benefits	**296**	148
	11,281	10,362
Number of key management personnel	**5**	5

29 CONTINGENT LIABILITIES

Bank guarantees

The banks have issued guarantees on behalf of the Group as follows:

	2018 ***AED '000***	*2017* *AED '000*
Performance guarantees	**91,652**	112,588
Advance payment guarantees	**633**	673
Financial guarantees	**24,986**	2,585
	117,271	115,846

The Company's share of contingencies of associates and joint ventures as of 31 December 2018 amounted AED 13.4 million (2017: AED 12.8 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

30 COMMITMENTS

Contractual commitments

The authorised contractual commitments as at 31 December 2018 but not provided for amounted to AED 174.6 million (2017: AED 147.0 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2018 amounted to AED 63.1 million (2017: AED 57.0 million).

Operating lease commitments - lessor

The Company enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements qualify to be classified as a lease based on IFRIC 4 and are accounted for as an operating lease based on IAS 17 as the Company does not transfer substantially all the risks and rewards of ownership of the asset to the customer.

These non-cancellable leases have remaining terms of between 15 and 30 years. All leases include a clause to enable upward revision of the rental charge on a periodic basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2018	*2017*
	AED '000	*AED '000*
Within one year	**109,558**	110,248
After one year but not more than five years	**438,232**	438,232
More than five years	**1,830,464**	1,940,022
	2,378,254	2,488,502

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, obligations under finance lease, mandatory convertible bond - liability component, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity. The Group has various financial assets such as finance lease receivables, trade receivables, due from related parties and cash and bank deposits, which arise directly from its operations.

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance. It is, and has been throughout 2018 and 2017 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, Islamic financing arrangements, deposits, finance lease receivables, finance lease liability and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2018 and 2017.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2018 and 2017.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives instruments.
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017 including the effect of hedge accounting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2018, after taking into account the effect of interest rate swaps, approximately 61% of the Group's borrowings are at a fixed rate of interest (2017: 57%).

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on term deposits and un hedged portion of loans and borrowings).

	Effect on profit AED '000
2018	
+100 basis point increase	(9,245)
-100 basis point decrease	9,245
2017	
+100 basis point increase	(10,281)
-100 basis point decrease	10,281

The impact on equity relating to derivatives designated as effective cash flow hedges could not be determined in the absence of information from counter party banks.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the transactions and balances are in either UAE Dirham or US Dollar or currencies that are pegged to US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollar are not considered to represent significant foreign currency risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, amounts due from related parties and finance lease receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables and finance lease receivables is the carrying amount as disclosed in notes 16 and 15. The Group's three largest customers, including a related party, account for approximately 62% of outstanding trade and related party receivable balances at 31 December 2018 (2017: 3 customers 49%). Amounts due in respect of finance lease receivables are from four customers (2017: three customers).

With respect to credit risk arising from other financial assets of the Group, which comprise cash and bank deposits and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group seeks to limit its credit risk to banks by only dealing with reputable banks.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 based on undiscounted payments and current market interest rates.

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 Years AED'000*	*>5 years AED'000*	*Total AED'000*
At 31 December 2018						
Interest bearing loans and borrowings	-	20,058	282,883	1,407,421	2,155,626	3,865,988
Non-convertible Sukuk	-	-	101,008	404,030	2,038,515	2,543,553
Accounts and retention payable, due to related parties and other financial liabilities	-	152,003	204,326	14,079	-	370,408
	-	172,061	588,217	1,825,530	4,194,141	6,779,949
At 31 December 2017						
Interest bearing loans and borrowings	-	33,967	328,959	1,733,494	253,613	2,350,033
Islamic financing arrangements	-	11,502	103,591	455,021	840,632	1,410,746
Obligations under finance leases	-	1,937	2,580	-	-	4,517
Accounts and retention payable, due to related parties and other financial liabilities	-	117,699	352,078	14,079	-	483,856
	-	165,105	787,208	2,202,594	1,094,245	4,249,152

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, in the light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, mandatory convertible bond – liability component, obligations under finance lease, less cash and bank deposits. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives.

	2018	*2017*
	AED '000	*AED '000*
Interest bearing loans and borrowings	**1,160,584**	2,009,079
Islamic financing arrangement	-	1,155,172
Non-convertible Sukuk	**1,828,794**	-
Obligation under finance lease	-	4,374
	2,989,378	3,168,625
Less: cash and bank deposits	**(248,946)**	(418,280)
Net debt	**2,740,432**	2,750,345
Equity attributable to equity holders of the parent	**4,670,006**	4,725,935
Adjustment for cumulative changes in fair values of derivatives	**20,886**	37,774
Total capital	**4,690,892**	4,763,709
Capital and net debt	**7,431,324**	7,514,054
Gearing ratio	**37%**	37%

32 FAIR VALUE MEASUREMENT

32.1 Fair values of financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date except for finance lease receivables, mandatory convertible bond, fixed rate loan and obligations under finance lease with fixed interest rates. Set out below is a comparison of carrying amounts and fair values of such instruments:

	Carrying Amount		*Fair Value*	
	2018	*2017*	***2018***	*2017*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Financial assets				
Finance lease receivables	**2,869,966**	2,957,744	**3,156,812**	3,570,822
Financial liabilities				
Non-convertible Sukuk	**1,828,794**	-	**1,917,581**	-
Obligations under finance lease	-	4,374	-	4,838

32.2 Fair value hierarchy

As at 31 December 2018 and 2017, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

	2018				*2017*			
	31 December 2018 AED'000	*Level 1 AED'000*	***Level 2 AED'000***	*Level 3 AED'000*	*31 December 2017 AED'000*	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Liabilities measured at fair value								
Interest rate swaps	**(796)**	-	**(796)**	-	10,770	-	10,770	-
Assets for which fair values are disclosed								
Finance lease receivables	3,156,812	-	-	**3,156,812**	3,570,822	-	-	3,570,822
Liabilities for which fair values are disclosed								
Non-convertible Sukuk	**1,917,581**	**1,917,581**	-	-	-	-	-	-
Obligations under finance lease	-	-	-	-	4,838	-	-	4,838
	1,917,581	**1,917,581**	-	-	4,838	-	-	4,838

During the reporting years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included 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 VALUE MEASUREMENT (continued)

32.2 Fair value hierarchy (continued)

The following methods and assumptions were used to estimate the fair values for assets and liabilities measured at fair value:

- Asset held for sale (land) were valued based on an evaluation performed by an accredited external, independent valuer, applying a valuation model, recommended by the International Valuation Standards Committee.

- The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

32.3 Hedging activities

Cash flow hedges

The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 164 million as at 31 December 2018 (2017: AED 1,820 million).

A schedule indicating the maturity profile of the derivative related assets and liabilities as at 31 December is as follows:

	Within 1 year *AED '000*	*1-3 years* *AED '000*	*Total* *AED '000*
2018			
Cash inflows (assets)	**4,879**	**9,981**	**14,860**
Cash outflows (liabilities)	**(5,345)**	**(9,918)**	**(15,263)**
Net cash outflow	**(466)**	**63**	**(403)**
2017:			
Cash inflows (assets)	35,479	75,983	111,462
Cash outflows (liabilities)	(48,584)	(80,915)	(129,499)
Net cash outflow	(13,105)	(4,932)	(18,037)

All derivative contracts are with counterparty banks in UAE.