Consolidated Statement of Cash Flows continued

For the year ended 31 December 2020

	Notes	2020 AED '000	2019 AED '000
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(95,859)**	(127,518)
Purchases of intangible assets	6	**(14,095)**	(6,422)
Additions to investment properties	7	**(69,010)**	(113,278)
Acquisition of cash and cash equivalents	8,45	**798**	89,783
Proceeds from disposal of investment properties		**76,512**	295,215
Proceeds from disposal of property, plant and equipment		**–**	23,058
Proceeds from disposal of businesses	5	**100,325**	–
Acquisition of a subsidiary	45	**(11,333)**	–
Cash and cash equivalents derecognised on disposal of subsidiaries	46	**(63,776)**	–
Proceeds from disposal of financial assets at FVTOCI	9	**–**	30,799
Movement in term deposits with original maturity of greater than three months		**(409,869)**	586,456
Movement in restricted bank balances		**894,667**	(362,337)
Capital call contributions made against investment in financial assets at FVTOCI	9	**–**	(2,452)
Capital distributions received against investment in financial assets at FVTOCI	9	**–**	7,605
Finance income received		**91,889**	113,682
Dividends received	8,9	**4,900**	31,100
Net cash generated from investing activities		**505,149**	565,691
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(31,979)**	(29,795)
Cash paid due to the partial settlements of the derivative financial instruments (interest rate swap) used to hedge interest rate risk		**–**	(77,121)
Proceeds from bank borrowings and sukuk		**500,000**	2,329,149
Repayments of bank borrowings and sukuk		**(650,000)**	(1,742,500)
Finance costs paid		**(285,155)**	(351,153)
Dividends paid		**(1,141,682)**	(1,101,810)
Net cash used in financing activities		**(1,608,816)**	(973,230)
Net increase in cash and cash equivalents		**296,373**	895,754
Cash and cash equivalents at beginning of the year		**2,290,112**	1,394,358
Cash and cash equivalents at end of the year	15	**2,586,485**	2,290,112

Refer to note 42 for details of non-cash transactions excluded from the consolidated statement of cash flows.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 GENERAL INFORMATION

The establishment of Aldar Properties PJSC (the "Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates (UAE) and its registered office address is P.O. Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

As of 31 December 2020, Mubadala Investment Company PJSC, through its wholly owned subsidiaries, has an indirect 37.33% ownership interest in the Company.

The Company and its subsidiaries (together referred to as the "Group") are engaged in various businesses primarily the development, sales, investment, construction, leasing, management and associated services for real estate. In addition, the Group is also engaged in development, construction, management and operation of hotels, schools, marinas, cooling station operations, restaurants, beach clubs and golf courses. The principal activities of the major subsidiaries are given in note 3.3 below.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

2.1 New and amended IFRSs that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS standards and interpretations issued by the International Accounting Standard Board (IASB) that are effective for annual periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements except as disclosed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, 1AS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC32.

These amendments had no material impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 Business Combinations relating to definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

These amendments had no impact on the consolidated financial statements of the Group but may impact future periods. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") continued

2.1 New and amended IFRSs that are effective for the current year continued

Definition of Material (Amendments to IAS 1 and IAS 8)

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material or refer to the term 'material' to ensure consistency.

These amendments had no impact on the consolidated financial statements of the Group.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IFRS 7 and IAS 39 (IBOR reform Phase 1)

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 7, IFRS 9, and IAS 39). The Group adopted Interest Rate Benchmark Reform with effect from 1 January 2020. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to USD LIBOR, which is cash flow hedged using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are presented in note 38.5b.

Covid-19 Related Rent Concessions – amendments to IFRS 16

In May 2020, the IASB issued COVID-19 Related Rent Concessions (amendments to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19 related concession is a lease modification. A lessee that makes this selection shall account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

These amendments had no material impact on the consolidated financial statements of the Group.

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

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective. Management does not expect that the adoption of the Standards will have a material impact on the consolidated financial statements of the Group in future periods except if mentioned in respect of the amendments below.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2021, with early application permitted.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, descried as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") continued

2.2 New and amended IFRS Standards in issue but not yet effective and not early adopted continued

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that assets is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line items(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprise the 'costs that relate directly to the contract'. Costs that related directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charged for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate), at the date of initial applications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020

The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standard

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidation financial statements, based on the parent's date of transition to IFRS standards if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of the U.A.E. Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties, revaluation of the financial assets at fair value through other comprehensive income, measurement of derivative financial instruments and measurement of share-based payments at fair values at the end of each reporting period, as explained in the accounting polices given below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

These consolidated financial statements are presented in UAE Dirhams (AED) which is the functional and presentation currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and consolidated statement of other comprehensive income from the date when the Company gains control until the date when the Company ceases to control the subsidiary.

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

Non-controlling interests in subsidiaries are identified separately form the Group's equity therein. Those interest of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group losses control of a subsidiary, the gain or losses on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

Details of the Company's significant subsidiaries are given below:

Name of subsidiary	Ownership interest 2020	2019	Country of incorporation	Principal activity
Operating subsidiaries				
Aldar Education – Sole Proprietorship LLC	**100%**	100%	UAE	Investment in, and management of entities providing educational services
Aldar Academies – Sole Proprietorship LLC	**100%**	100%	UAE	Investment in, and management of entities providing educational services
Aldar Hotels and Hospitality LLC	**100%**	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	**100%**	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Provis Real Estate Management – Sole Proprietorship LLC	**100%**	100%	UAE	Management and leasing of real estate
Provis Real Estate Brokers LLC	**100%**	100%	UAE	Real estate brokerage
Yas Links LLC	**100%**	100%	UAE	Ownership and management of golf courses and golf clubs
Pivot Engineering & General Contracting Co. (WLL)	**65.2%**	65.2%	UAE	Engineering and general construction works
Aldar Investment Properties LLC	**100%**	100%	UAE	Investment, management and associated services for real estate assets and the operation of hotels

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Basis of consolidation continued

Details of the Company's significant subsidiaries are given below:

Name of subsidiary	Ownership interest 2020	2019	Country of incorporation	Principal activity
Operating subsidiaries continued				
Aldar Investment Holding Restricted Limited	**100%**	100%	UAE	Special purpose vehicle, proprietary asset management company
Khidmah – Sole Proprietorship LLC	**100%**	100%	UAE	Management and leasing of real estate
TDIC Education – Sole Proprietorship LLC	**100%**	100%	UAE	Educational activities
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Accommodation village
Aldar Sukuk (No. 1) Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 2) Ltd.	**100%**	100%	Cayman Islands	Funding company
Cloud Spaces – Sole Proprietorship LLC	**100%**	100%	UAE	Real estate lease and management services
Aldar Lifestyle – Sole Proprietorship LLC	**100%**	100%	UAE	Hospitality services
Eastern Mangroves Marina – Sole Proprietorship LLC	**100%**	100%	UAE	Managing and operating marinas
Marsa Al Bateen – Sole Proprietorship LLC	**100%**	100%	UAE	Managing and operating marinas
New subsidiaries created/acquired during the year				
Aldar Sukuk (No. 3) Ltd.	**100%**	n/a	Cayman Islands	Funding company
Advanced Real Estate Services – Sole Proprietorship LLC	**100%**	n/a	UAE	Real estate services
Aldar Investments Limited	**100%**	n/a	UAE	Holding Company
Pacific Owners Association Management Services LLC	**100%**	n/a	UAE	Management of real estate
Dormant subsidiaries				
Al Seih Real Estate Management LLC	**91.4%**	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC	**91.4%**	91.4%	UAE	Property rental and management; real estate projects investment
Saadiyat Grove – Sole Proprietorship LLC	**100%**	100%	UAE	Real estate
Subsidiaries disposed off during the year				
Saadiyat Cooling LLC	**–**	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC	**–**	100%	UAE	Cooling station operations

3.4 Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange of control of 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 profit or loss.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that, together, significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to shared-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquired are measured in accordance with IFRS 2 at the acquisition date and;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests (including joint operations) in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. 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 arrangement. 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 results and assets and liabilities of associate and joint venture are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated financial statements at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the associate or the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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

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

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, The Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or join venture that are not related to the Group.

3.7 Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.8 Current versus non-current classification

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

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

The Group classifies all other liabilities as non-current.

3.9 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition 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. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

3.10 Revenue recognition

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when to recognise revenue, and at what amount. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

- Sale of properties (property development and sales) and provision of services
- Service charges and expenses recoverable from tenants
- Hospitality revenue
- Income from leisure businesses
- Construction contracts
- Revenue from cooling assets
- Fee and related income from schools
- Management fee

Revenue from contracts with customers for sale of properties and provision of services

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

Step 1 Identify 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 performance obligations in the contract: A performance obligation is 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 allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Service charges and expenses recoverable from tenant

For investment properties held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. Certain lease agreements include certain services offered to tenants (i.e., customers) including common area services (such as security, cleaning, maintenance, utilities, health and safety) as well as other support services (e.g., customer service and management) The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The contracts of the Group specifically highlight stand-alone price for the services.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

Income arising from cost recharged to tenants is recognised in the period in which the cost can be contractually recovered. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Hospitality revenue

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.10 Revenue recognition continued

Income from leisure businesses

Income from leisure businesses comprises revenue from goods sold and services provided at golf courses, beach clubs and marinas, and is recognised at the point when the goods are sold or services are rendered.

Income from schools

Registration fee is recognised as income when it is received. Tuition fee income is recognised over the period of tuition. Tuition fees received in advance are recorded as deferred income.

Revenue from construction contracts

The Group construct properties under long term contracts with customers. Such contracts are entered into before the construction work begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time using input method to recognise revenue on the basis of entity's efforts to the satisfaction of a performance obligation in accounting for its construction contracts. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs incurred are amortised over the period of service. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue using the input method and the payment is always less than one year.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense in the profit or loss immediately.

Revenue from cooling assets

Revenue is recognised for supply of chilled water based on the agreements. The revenue in respect of the contracted capacity is recognised at the fixed rate, whereas the revenue in respect of the consumption of chilled water is recognised as these are consumed by the customer at agreed rates. In addition, customers are charged a one-time connection fee.

Contract costs

Costs of contracts include all direct costs of labour, materials, depreciation of property, plant and equipment (where applicable) and costs of subcontracted works, plus an appropriate portion of construction overheads and general and administrative expenses of the year allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract. Any under recovery at the end of the fiscal year, is charged to profit or loss as unallocated overheads.

Contract assets and liabilities

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

3.11 Leases

The Group as lessee

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

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

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After initial recognition, the Group applies fair value model to right-of-use assets that meet the definition of investment property. For assets that meet the definition of property, plant and equipment, right of use asset is carried at cost net of depreciation and impairment and is amortised over the term of the lease. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented along with the underlying asset in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset associated with property, plant and equipment is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in the consolidated statement of profit or loss.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.11 Leases continued

The Group as lessee continued

The non-lease components are accounted for in accordance with the Group's policies. For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- is within the control of the Group; and
- affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a corresponding lease liability under the lease contract with respect to all leases arrangements in which it is the lessor, except for leases (defined as leased with a lease term of 12 months or less) and leases of low values. For these leases, the Group recognise the lease payments as an operating expense on a straight-line basis over the terms of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group as Lessor

The Group enters into lease arrangements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all the risks and rewards incidental to ownership of an investment property. In addition, the Group subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Group's subleases are classified as operating leases.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when the right to receive them arises.

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

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

3.12 Foreign currencies

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

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.14 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	20 – 30
Plants and machinery	15 – 20
Labour camps	5 – 10
Furniture and fixtures	5
Office equipment	3 – 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 – 4

Freehold land is not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right-of-use assets are depreciated over the shorter period of lease term and the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) 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 profit or loss when the asset is derecognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Capital work in progress

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

3.16 Investment properties

Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on annual valuations performed by accredited external independent valuers applying valuation models recommended by the International Valuation Standards Committee.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to development work in progress) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Upon completion of construction or development, a property is transferred from properties under development to completed properties. Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

3.17 Development work in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

3.18 Inventories

Inventories comprise completed properties held for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory properties recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

3.19 Land held for sale

Land held for sale is stated at the lower of cost and net realisable value. Costs include the cost of land acquired and all direct costs attributable to the infrastructure works of the land. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3.20 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition and are recognised separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

Customer contracts

Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of district cooling services which were acquired during the year ended 31 December 2018. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is in the range of 22 to 29 years.

Customer relationships

Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represents the value to be derived from relationship with customers which were acquired during the year (note 45). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is estimated as 5 years.

3.21 Impairment of non-financial assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.21 Impairment of non-financial assets continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

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 each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.22 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 highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and 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 and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding 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 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.

Onerous contracts

If the Group has a contract that is onerous, the present obligations under onerous contracts are recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) 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.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are remeasured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

3.24 Provision for employees' benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the reporting date. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law no. (2) of 2000 for Pension and Social Security; such contributions are charged to profit or loss during the employees' period of service.

3.25 Share-based payments

For cash-settled share-based payments to employees, a liability is recognised for the services acquired, at the fair value which is measured initially at grant date and at each reporting date up to and including the settlement date, with changes in fair value net of any changes in investments held, are recognised in profit or loss. The Group does not have any equity-settled share-based payments.

3.26 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-monetary assets are recognised as deferred government grant in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Land granted by the Government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

3.27 Financial instruments

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

Financial assets

All financial assets under the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost, if both the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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.

A financial asset is 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.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortised cost, except for:
- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.27 Financial instruments continued

Financial liabilities continued

At initial recognition, the Group may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss. This category generally applies to interest-bearing loans and borrowings.

Sukuk

The sukuk are stated at amortised cost using the effective profit rate method. The profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Embedded derivatives

Where a hybrid contract contains a host that is a financial asset under the scope of IFRS 9, the policy in relation to classification and measurement, including impairment relating to the financial assets applies to the entire hybrid contract.

Where a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, the embedded derivative is separated from the host and accounted for as a derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e., a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Where a contract contains one or more embedded derivatives and the host is not a financial asset within the scope of IFRS 9, the Group may designate the entire hybrid contract as at fair value through profit or loss unless:

- the embedded derivatives do not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivatives is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

Where it is required to separate an embedded derivative from its host, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at fair value through profit or loss.

Reclassification of financial assets and financial liabilities

Where the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

Measurement of financial assets and liabilities

Initial measurement

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

- amortised cost less impairment;
- fair value through other comprehensive income less impairment; or
- fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and at fair value through other comprehensive income as disclosed below.

Hedge accounting requirements disclosed below applies to financial assets designated as hedged item.

Impairment of financial assets

In relation to the impairment of financial assets, the Group applies the Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised.

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include:

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- bank balances;
- trade receivables;
- lease receivables;
- contract assets; and
- loan commitments and financial guarantee contracts.

The Group has adopted the simplified approach for measuring the impairment on trade receivables, lease receivables and contract assets. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, 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 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.27 Financial instruments continued

Impairment of financial assets continued

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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 highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- 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.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped for the assessment of the expected credit loss. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Derecognition

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

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

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Hedging arrangements

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the 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 the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss as other expense. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.1 Critical judgment in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations (which are presented below separately), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by management.

Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Exchange of properties

As disclosed in note 33, during 2019, the Executive Council of the Government of Abu Dhabi resolved to exchange plots of land with the Group in a transaction that exchanges developable land resources in line with the parties' strategic priorities. In line with the requirements of IAS 16 Property, Plant and Equipment, the Group assessed that the transaction was undertaken on commercial terms and had commercial substance as:

- The properties being transferred by the Group are at different locations and have different cash flow characteristics than properties being received by the Group. Also, plots of land obtained by the Group are in line with the Group's strategic priorities to develop key destinations of Saadiyat Island and Yas Island, especially considering that the Group is the master developer of the various projects on Saadiyat Island; and
- The plots given by the Group were not part of the Group's development strategy in the foreseeable future. The Group received infrastructure-enabled land with high potential for development in the coming years, as the Group consolidate development focus on their key destinations, in particular Saadiyat Island.

Judgements in relation to contracts with customers

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. Accordingly, the Group has evaluated the timing of revenue recognition on the sale of properties based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's legal counsel.

The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

For contracts relating to the sale of property under development, the Group has generally concluded that the overtime criteria are met and, therefore, recognises revenue over time. These are contracts either for property sold to one customer for the entire land and building or for a multi-unit property. The Group has considered the factors contained in the contracts for the sale of property and concluded that the control of a multi-unit property is transferred to the customer over time because:

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. That is, the Group has considered various factors that indicate that the customer controls the part-constructed property as it is being constructed.
- The Group's performance does not create an asset with alternative use. Furthermore, the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is, at all times, entitled to an amount that at least compensates it for performances for performance completed to date (usually costs incurred to date plus a reasonable profit margin). In making this determination, the Group has carefully considered the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms.

Where contracts are entered into for construction (to construct an asset for the customer), the Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

Where contracts are entered into to provide services (property management and facility management), the Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In the case of contracts to sell real estate assets this is generally when the consideration for the unit has been substantially received and there are no impediments in the handing over of the unit to the customer.

Consideration of significant financing component in a contract

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

Consideration of warranties

Contracts for the sale of property contain certain warranties covering a period of up to one year after completion of the property, such as the property meeting specific operational performance requirements. The Group assessed that these conditions represent 'assurance-type' warranties that are customary provided as quality guarantees and are therefore accounted for under IAS 37.

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

Contract claims

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Identifying whether an acquisition is a business or an asset

For acquisitions made by the Group, the Group needs to make significant judgement to assess whether the assets acquired and liabilities assumed constitutes a business and whether it has acquired control of one or more businesses. Where such an acquisition does not constitute a business, the acquisition is accounted for as an asset acquisition. In making this assessment, the Group applies the definition of business under IFRS 3 which requires that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty

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:

Measurement of progress when revenue is recognised over time

For those contracts involving the sale of property under development and construction contracts that meet the overtime criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

- For development contracts, the cost of development and related infrastructure;
- For construction contracts, the certified works as evaluated by project consultant; and
- For services contracts, the time elapsed.

Calculation of loss allowance

The Group assesses the impairment of its financial assets based on the expected credit loss ("ECL") model. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Group measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL model was reassessed for the impact of COVID-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. which may likely lead to increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 Financial Instruments. This is mainly due to increase in the counterparty risk (risk of default) of tenants and customers. The Group has recognised allowance for ECL on its trade and other receivables for the year ended 31 December 2020 amounting to AED 41,193 thousand (31 December 2019: AED 114,631 thousand) and total allowance for ECL amounted to AED 364,371 thousand (31 December 2019: AED 424,627 thousand). The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

Fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the residual value method and the income capitalisation method.

The residual value method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the income capitalisation method, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

The Group's undiscounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the investment properties requires management to make significant estimates and judgements related to future rental yields and capitalisation rates.

The key assumptions used are as follows:

	Range %
Capitalisation rates	6.5 – 11.5

As detailed in note 47, COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including UAE with real estate market having experienced significant lower levels of transaction volume and liquidity. Therefore, in arriving at fair values estimates of the investment properties as at 31 December 2020, the third-party valuers have used their market knowledge and professional judgment and have attached less weight to previous market evidence for comparison purposes. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating fair values of investment properties.

Estimation of net realisable value for inventory, land held for sale and development work in progress

Inventory, land held for sale and properties classified under development work in progress are stated at the lower of cost or net realisable value ("NRV"). NRV is assessed with reference to sales prices, costs of completion and advances received, development plans and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

The determination of net realisable value of land held for sale is based on external valuations using various valuation methodologies and techniques that take into account property-specific information such as forecast selling prices, site planning (including planning consent), build costs, cost recoveries, sales rates (per square meter) and discount rates etc., all of which contain an element of judgement and uncertainty. Forecast selling prices have inherent uncertainty due to changes in market conditions. Forecast build costs can vary with market conditions and may also be incorrectly estimated due to changes in site planning, style of build or unforeseen circumstances arising during construction.

NRV for completed inventory properties is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same market serving the same real estate segment.

NRV in respect of development work in progress is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration. The fair value of hotel properties classified under property, plant and equipment is determined by an independent real estate valuation expert using Discounted Cash Flow method.

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessment of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED '000	Labour camps AED '000	Furniture and fixtures AED '000	Plant and machinery AED '000	Office equipment AED '000	Computers AED '000	Motor vehicles AED '000	Lease improvements AED '000	Capital work in progress (note 5.2) AED '000	Total AED '000
Cost										
At 1 January 2019	6,686,307	1,654,047	608,399	392,299	101,701	153,243	22,945	70,004	50,934	9,739,879
Additions	29,811	2,211	36,098	609	8,640	9,444	3,289	10,142	27,274	127,518
Transfers from/(to) investment properties, net (note 7)	10,737	-	-	-	-	-	-	-	-	10,737
Disposals	-	(226,990)	(13,148)	(5,612)	(2,515)	(3,702)	(1,251)	(2,383)	-	(255,601)
At 1 January 2020	6,726,855	1,429,268	631,349	387,296	107,826	158,985	24,983	77,763	78,208	9,622,533
Additions	22,519	-	12,025	15,868	1,854	13,334	358	19,282	10,637	95,877
Derecognised on sale of subsidiaries (note 46)	(37,692)	-	(2)	(323,093)	-	-	-	-	(1,830)	(362,617)
Derecognised on sale of businesses (note 5.1)	(90,746)	-	(1,841)	-	(8,156)	(2,676)	-	(4,830)	-	(108,249)
Disposals (note 5.3)	-	-	(721)	(1,101)	(24,441)	(4)	(350)	-	-	(26,617)
At 31 December 2020	**6,620,936**	**1,429,268**	**640,810**	**78,970**	**77,083**	**169,639**	**24,991**	**92,215**	**87,015**	**9,220,927**
Accumulated depreciation and impairment losses										
At 1 January 2019	3,648,432	1,626,887	529,438	86,510	86,726	119,157	20,189	21,569	-	6,138,908
Charge for the year	165,908	2,942	43,788	19,070	11,593	9,567	712	12,113	-	265,693
Impairment/(reversal) (note 29)	(36,787)	7,601	-	-	-	-	-	-	-	(29,186)
Derecognised on transfers to investment properties (note 7)	(2,928)	-	-	-	-	-	-	-	-	(2,928)
Disposals	-	(226,984)	(12,755)	(5,487)	(2,425)	(3,646)	(1,207)	(2,040)	-	(254,544)
At 1 January 2020	3,774,625	1,410,446	560,471	100,093	95,894	125,078	19,694	31,642	-	6,117,943
Charge for the year	169,119	1,882	28,360	23,810	6,599	14,816	2,219	13,529	-	260,334
Impairment (note 29)	-	1,396	-	-	-	-	-	-	-	1,396
Derecognised on sale of subsidiaries (note 46)	(8,833)	-	(2)	(50,899)	-	-	-	-	-	(59,734)
Derecognised on sale of businesses (note 5.1)	(24,480)	-	(1,072)	-	(4,806)	(597)	-	(3,560)	-	(34,515)
Disposals (note 5.3)	-	-	(721)	(1,095)	(23,850)	(4)	(350)	-	-	(26,020)
At 31 December 2020	**3,910,431**	**1,413,724**	**587,036**	**71,909**	**73,837**	**139,293**	**21,563**	**41,611**	**-**	**6,259,404**
Carrying amount										
At 31 December 2020	**2,710,505**	**15,544**	**53,774**	**7,061**	**3,246**	**30,346**	**3,428**	**50,604**	**87,015**	**2,961,523**
At 31 December 2019	2,952,230	18,822	70,878	287,203	11,932	33,907	5,289	46,121	78,208	3,504,590

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

	2020 AED '000	2019 AED '000
Direct costs	**7,091**	9,459
General and administrative expenses	**253,244**	256,234
	260,335	265,693

5.1 On 31 December 2020, the Group entered into a sale purchase agreement with a third party for sale of the businesses and assets of the Westin Hotel and Abu Dhabi Golf Resort along with an adjacent plot of land to Abu Dhabi Golf Resort. The total consideration allocated to the Westin Hotel and Abu Dhabi Golf Resort based on relative fair value of all properties amounted to AED 137,591 thousand (of which AED 23,837 thousand was receivable at 31 December 2020). The sale resulted in a gain on disposal of amounting to AED 58,432 thousand which is recorded in profit or loss. The title of these properties were transferred on 31 December 2020 upon satisfactory completion of all the substantive conditions precedent. Accordingly, the control of these businesses and assets were passed to the buyer on 31 December 2020.

5.2 Capital work in progress mainly represent the cost incurred on the development and enhancement of hospitality and leisure facilities which were under progress at the reporting date and will be transferred to the relevant asset category of property, plant and equipment when ready for intended use.

5.3 During the year, the Group sold property, plant and equipment resulting in a gain on disposal of AED 54 thousand (2019: AED 22,964 thousand).

Property, plant and equipment include right-of-use assets mainly with respect to leases of plots of land of AED 86,609 thousand (2019: AED 71,784 thousand). Depreciation charge of AED 3,848 thousand was recorded against the right-of-use assets during the year (2019: AED 2,692 thousand). The average lease term is 30 years. There were no major additions to right-of-use assets during the year. There are no extension or termination options on these leases.

Certain land and buildings classified as property, plant and equipment are pledged as security against bank borrowings as disclosed under note 19.

During the year, in addition to the annual impairment review and due to the impact of COVID-19 as detailed in note 47 which resulted in lower occupancy rates and closure of hospitality and leisure properties in line with government mandated lockdown restrictions, the Group carried out a review of recoverable value of its hospitality and leisure properties, and labour camp classified under property, plant and equipment. The review led to an impairment of AED 1,396 thousand for labour camp (2019: net reversal of impairment of AED 29,186 thousand for hotel and hospitality properties and labour camp) (note 29), which has been recorded in profit or loss. The recoverable value of hotel and hospitality properties and labour camps is based on fair value less cost to sell determined by independent valuer and has been determined by reference to the discounted cash flow method using exit yield of 7.21% to 9.0% (2019: 7.3% to 9.0%) and a discount rate of 9.96% to 16.0% (2019: 10.01% to 16.0%). No impairment indications were observed for any other items of property, plant and equipment for the year ended 31 December 2020. Note 4 highlights significant estimation uncertainty related to determination of the fair value less costs to sell and significant assumptions used.

As detailed in note 47, COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including UAE with real estate market having experienced significant lower levels of transaction volume and liquidity. Therefore, in arriving at fair values less costs to sell estimates of the hospitality and leisure properties as at 31 December 2020, the independent valuers have used their market knowledge and professional judgment and have attached less weight to previous market evidence for comparison purposes. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating fair values less costs to sell.

6 INTANGIBLE ASSETS AND GOODWILL

	Goodwill AED '000	Customer contracts AED '000	Customer relationship AED '000	Computer software AED '000	Total AED '000
Cost					
At 1 January 2019	17,860	179,809	–	85,912	283,581
Additions	–	–	–	6,422	6,422
At 1 January 2020	17,860	179,809	–	92,334	290,003
Additions	–	–	–	14,095	14,095
Recognised as part of business combination (note 45)	3,151	–	9,111	–	12,262
Derecognised on loss of control of subsidiaries (note 46)	–	(179,809)	–	–	(179,809)
Disposal of businesses (note 5)	(17,752)	–	–	(220)	(17,972)
At 31 December 2020	**3,259**	**–**	**9,111**	**106,209**	**118,579**
Accumulated amortisation					
At 1 January 2019	–	5,648	–	79,816	85,464
Charge for the year	–	8,313	–	4,003	12,316
At 1 January 2020	–	13,961	–	83,819	97,780
Charge for the year	–	7,682	–	6,775	14,457
Derecognised on loss of control of subsidiaries (note 46)	–	(21,643)	–	–	(21,643)
Disposal of businesses (note 5)	–	–	–	(100)	(100)
At 31 December 2020	**–**	**–**	**–**	**90,494**	**90,494**
Carrying amount					
31 December 2020	**3,259**	**–**	**9,111**	**15,715**	**28,085**
At 31 December 2019	17,860	165,848	–	8,515	192,223

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The major goodwill recognised by the Group relates to adjacencies business.

7 INVESTMENT PROPERTIES

Investment properties comprise completed properties and investment properties under development (IPUD). The movement during the year is as follows:

	2020			2019		
	Completed properties AED '000	**Properties under development AED '000**	**Total AED '000**	Completed properties AED '000	Properties under development AED '000	Total AED '000
Balance at the beginning of the year	**16,226,285**	**556,191**	**16,782,476**	15,126,557	1,281,746	16,408,303
Additions during the year	**57,013**	**11,997**	**69,010**	1,170,875	53,883	1,224,758
Disposals	**(72,116)**	**–**	**(72,116)**	(271,080)	–	(271,080)
Fair value (loss)/gain, net	**(400,855)**	**1,005**	**(399,850)**	(246,639)	(128,112)	(374,751)
Transfer from/(to):						
Inventories	**–**	**–**	**–**	2,846	–	2,846
Property, plant and equipment (note 5)	**–**	**–**	**–**	(13,665)	–	(13,665)
Development work in progress (note 7.1)/note 13	**83,396**	**–**	**83,396**	–	(205,635)	(205,635)
Land held for sale	**–**	**–**	**–**	11,700	–	11,700
From properties under development to completed properties	**–**	**–**	**–**	445,691	(445,691)	–
Balance at the end of the year	**15,893,723**	**569,193**	**16,462,916**	16,226,285	556,191	16,782,476

All investment properties are located in the United Arab Emirates.

7.1 This represents transfer of properties from development work in progress due to change in use since the Group entered into operating leases with other parties for the properties on their completion during the year. The Group recorded a net fair value gain of AED 3,343 thousand on the transfers.

Investment properties include right-of-use assets with respect to leases of plots of land of AED 290,400 thousand (2019: AED 349,826 thousand). The average lease term is 25 years. There are no extension or termination options on these leases.

Except for certain investment properties of the Group which are pledged as security against bank borrowings, the Group has no restrictions on the realisability of its investment properties (note 19).

Investment properties under development mainly comprise of plots of land under development where the Group has approved plan to develop commercial and residential properties. The fair values of these properties are determined using residual value method.

The fair values of the investment properties including properties under development are arrived at on the basis of a valuation carried out by accredited independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The valuations were mainly determined by using the income capitalisation method. The valuation has been conducted as at 30 November 2020, management believes that there have been no significant changes to the fair values of investment properties from 30 November 2020 to 31 December 2020. There has been no change to the valuation techniques during the year. Refer to note 4 for the key assumptions used in determination of fair value of investment properties and significant estimation uncertainty related to determination of the fair value.

The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. The investment properties are categorised under Level 3 in the fair value hierarchy. There were no transfers between Levels 1, 2 or 3 during 2020 or 2019.

The Group conducted a sensitivity analysis for thirteen (2019: thirteen) largest assets in its investment property portfolio with an aggregate value of AED 13,502,608 thousand (2019: AED 13,508,960 thousand). The sensitivity has been conducted on the capitalisation rates and rental rates. Based on this sensitivity analysis:

- a decrease in the capitalisation rates by 50bps would result in a AED 890,112 thousand (2019: AED 1,030,148 thousand) or 6.6% (2019: 7.6%) increase in the valuation, whilst an increase in the capitalisation rates by 50bps would result in AED 785,108 thousand (2019: AED 833,480 thousand) or 5.8% (2019: 6.2%) decrease in the valuation; and
- an increase in the rental rates by 10% would result in an AED 1,262,405 thousand (2019: AED 1,515,658 thousand) or 9.3 % (2019: 11.2%) increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,284,634 thousand (2019: AED 1,450,701 thousand) or 9.5 % (2019: 10.7%) decrease in the valuation.

It should be noted that discount rates and capitalisation rates are different than interest rates as commonly applied to borrowing rates or cost of short term and long-term debt. Discount rates and capitalisation rates are carefully derived by professional valuers in determining the fair market value of properties by using multiple valuation factors. There are interrelationships between the unobservable inputs which are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalisation rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalisation rate would amplify an increase in the value.

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,632,861 thousand (2019: AED 1,719,240 thousand) and direct operating cost relating to these properties amounted to AED 325,725 thousand (2019: AED 344,360 thousand).

The completed investment properties consist of the following broad categories:

- Retail properties: comprising of malls and community retail spaces
- Commercial properties: comprising of properties leased as offices
- Residential properties: comprising of properties leased as residential units

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to AED 399,850 thousand (2019: AED 374,751 thousand) and are presented in profit or loss under the line items 'fair value loss on investment properties, net'.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment properties (completed and under development) held at the end of the reporting period. During the year, the Group also sold residential investment properties and realised a net gain of AED 4,396 thousand (2019: AED 23,856 thousand) that is recorded in profit or loss under "gain on disposal of investment properties".

8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Ownership interest	Voting power	Place of registration	Principal activities	At 1 January 2020 AED '000	Share of current year's profit /(loss) AED '000	Impairment (note 8.2) AED '000	Dividends received AED '000	Allocated to current account AED '000	**At 31 December 2020 AED '000**
INVESTEE										
Associates										
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	Finance company	147,532	580	(70,990)	–	–	**77,122**
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	Real estate	24,927	(1,383)	–	–	–	**23,544**
Dimarco Electronic Systems LLC (Dormant)	34%	34%	Abu Dhabi	District cooling billing service	–	–	–	–	–	**–**
Bunya Enterprises LLC	33%	33%	Abu Dhabi	Project management	–	–	–	–	–	**–**
Iskandar Holdings Limited (note 8.1)	19%	19%	Cayman Islands	Real estate	6,086	–	–	–	–	**6,086**
					178,545	(803)	(70,990)	–	–	**106,752**
Joint ventures										
Aldar Besix LLC (under liquidation) (note 8.3)	51%	50%	Abu Dhabi	Construction	16,388	94	–	–	–	**16,482**
Al Raha International Integrated Facilities Management LLC (under liquidation)	50%	50%	Abu Dhabi	Facilities management	4,046	109	–	(3,500)	–	**655**
Royal House LLC	50%	50%	Abu Dhabi	Hotel operations	–	(9,275)	–	–	9,275	**–**
Galaxy Building Materials LLC (under liquidation)	45%	50%	Abu Dhabi	Building materials	–	–	–	–	–	**–**
					20,434	(9,072)	–	(3,500)	9,275	**17,137**
					198,979	**(9,875)**	**(70,990)**	**(3,500)**	**9,275**	**123,889**

8.1 Iskandar Holdings Limited is classified as an associate of the Group although the Group owns a 19% ownership interest, as the Group has significant influence by virtue of its contractual right to appoint two out of six directors to the board of directors of the investee.

8.2 Refer to note 29.

8.3 The Group holds a 51% stake in Aldar Besix LLC however the terms of the joint venture arrangement require unanimous consent from the shareholders for all reserve matters.

Latest available financial information in respect of the Group's associates is summarised below:

	2020 AED '000	2019 AED '000
Total assets	**2,019,463**	2,015,365
Total liabilities	**(1,467,948)**	(1,461,122)
Net assets	**551,515**	554,243
Group's share of net assets of associates	**106,752**	178,545
Total revenue	**59,007**	93,849
Total (loss)/profit for the year	**(4,315)**	4,980

Latest available financial information in respect of the Group's joint ventures is summarised below:

	2020 AED '000	2019 AED '000
Total assets	**100,071**	136,985
Total liabilities	**(273,852)**	(285,749)
Net liabilities	**(173,781)**	(148,764)
Group's share of net assets of joint ventures	**17,137**	20,434
Total revenue	**13,035**	35,540
Total loss for the year	**(18,017)**	(23,650)

Share of losses

	2020 AED '000	2019 AED '000
The unrecognised share of loss of an associate for the year	**(1,759)**	(3,528)
Cumulative share of loss of an associate	**(31,488)**	(29,729)

The Company has discontinued recognising share of losses from few associates as the Company does not have any legal or constructive obligation.

All the above associates and joint ventures are accounted for using the equity method in the consolidated financial statements as set out in the Group's accounting policies in note 3.6.

Losses adjusted against the receivables

The Company considers that its amount receivable from one of the joint venture (Royal House LLC) is part of the Company's interest in the joint venture and, accordingly, loss recognised using the equity method in excess of the Group's investment in ordinary shares amounting to AED 9,275 thousand (2019: AED 10,500 thousand) was applied to the Group's receivable from the joint venture.

8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

Disposal of Joint Ventures

Effective 1 March 2019, the Company entered into a framework agreement with respect to share transfer whereby:

- The Company acquired additional 50% ownership of Aldar Etihad Investment Properties LLC and Aldar Etihad First Investment Properties LLC resulting in holding the entire share capital of these entities. The acquired entities did not meet the definition of business under IFRS 3 Business Combinations and hence the acquisitions have been accounted for as assets acquisitions effective 1 March 2019; and
- The Company sold its entire 50% ownership of Aldar Etihad Development LLC, a joint venture.

The above transaction resulted in derecognition of investment in joint ventures accounted for using equity method of AED 771,976 thousand. As per the agreement, the Group will receive an additional asset of AED 30,000 thousand. The Group also assumed bank borrowings in the acquired entities amounting to AED 507,601 thousand. As a result of the above transaction, the Group has also recycled to consolidated statement of profit or loss the hedging reserve that was recorded by Aldar Etihad Investment Properties LLC as at the date of the transaction amounting to AED 1,717 thousand (note 23).

During 2018, the Company sold one of its investment in joint venture. As per the agreement, the Group is entitled to further compensation which is contingent based on performance of the buyer and market conditions not within the control of the Group. As of 31 December 2020 and 31 December 2019, fair value of the contingent consideration amounted to nil since the inflow of economic benefits is not certain. The total contracted amount of the contingent consideration is AED 82,000 thousand.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 AED '000	2019 AED '000
Investment in UAE quoted securities	**37,500**	40,000
Investment in UAE unquoted securities	**16,405**	15,202
	53,905	55,202

Movement during the year is as follows:

	2020 AED '000	2019 AED '000
At 1 January	**55,202**	96,116
Additions	**–**	2,452
Fair value loss, net	**(1,297)**	(4,962)
Capital redemptions	**–**	(7,605)
Disposal	**–**	(30,799)
At 31 December	**53,905**	55,202

During the year, dividend income received from these investments amounted to AED 1,400 thousand (2019: AED 1,400 thousand).

During 2019, the Group sold the investments in international unquoted securities having a fair value of AED 30,799 thousand. Investment revaluation reserve credit of AED 10,328 thousand was reclassified to retained earnings.

10 CONTRACT ASSETS AND CONTRACT LIABILITIES

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as contract assets. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as contract liabilities. Amounts received before the related work is performed are included in the consolidated statement of financial position, under liabilities, as 'advances from customers'. Amounts for work performed but not yet billed to the customer are included in the consolidated statement of financial position, under assets, as gross amount due from customers. Upon billing, the amounts recognised as contract assets are reclassified to trade receivables.

10.1 Contract assets

	2020 AED '000	2019 AED '000
Contract assets: gross amounts due from customer on contracts for sale of properties	**1,017,866**	1,987,629
Contract assets: gross amounts due from customer on contracts to construct assets	**–**	49,397
	1,017,866	2,037,026

The above amount mainly represents unbilled revenue arising from contracts for sale of properties. These contracts have remaining performance obligations (unsatisfied or partially unsatisfied) with aggregated value of AED 3,469,000 thousand (2019: AED 4,368,000 thousand) which is expected to be recognised as revenue over the remaining tenor of these contracts. Majority of the amount allocated to remaining performance obligations is expected to be recognised as revenue in the next 2 years and the remaining spread over 3 to 5 years. The outstanding amount is fully secured against the underlying property units.

10.2 Contract liabilities

	2020 AED '000	2019 AED '000
Contract liabilities: gross amount due to customers on contracts for sale of properties	**(65,710)**	(10,055)
Contract liabilities: gross amount due to customers on contracts to construct assets	**(184,787)**	(500,670)
	(250,497)	(510,725)

The above amount mainly represents deferred revenue arising from construction contracts. These contracts have performance obligations (unsatisfied or partially unsatisfied) having aggregated value of AED 2,080,159 thousand (2019: AED 3,719,519 thousand) which is expected to be recognised as revenue over the remaining tenor of these contracts. Majority of the amount allocated to remaining performance obligations is expected to be recognised as revenue in the next 2 years and the remaining spread over 3 to 5 years.

11 TRADE AND OTHER RECEIVABLES

	2020 AED'000	2019 AED'000
Non-current portion		
Receivables relating to project finance (note 11.3)	**137,226**	141,985
Due from associates and joint ventures (note 11.5)	**176,476**	174,597
Others	**83,430**	73,601
	397,132	390,183
Less: allowance for expected credit loss (note 11.6)	**(158,811)**	(151,257)
	238,321	238,926
Current portion		
Trade receivables (note 11.1)	**3,059,385**	2,284,156
Refundable costs (note 11.2)	**248,831**	138,990
Receivables relating to project finance (note 11.3)	**9,099**	6,938
Receivables from the Government of Abu Dhabi (note 11.4)	**97,408**	440,907
Due from associates and joint ventures (note 11.5)	**26,272**	25,889
Advances and prepayments	**590,251**	868,320
Accrued interest	**20,232**	32,767
Receivables related to sale of subsidiaries and businesses (notes 5 and 46)	**999,560**	–
Others	**602,138**	649,737
	5,653,176	4,447,704
Less: allowance for expected credit loss (note 11.6)	**(205,561)**	(273,370)
	5,447,615	4,174,334

11 TRADE AND OTHER RECEIVABLES continued

11.1 Trade receivables

Trade receivables mainly represent the amounts due in respect of sales of plots of land, properties and revenue from construction contracts. As at 31 December 2020, 16% of the trade receivables (2019: 21% of the trade receivables) are due from its top five customers (2019: five customers). Concentration of credit risk is mitigated in some cases by the fact that the customers have already made instalment payments, in some cases substantial, on the plots, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover losses incurred by the Group.

	2020 AED'000	2019 AED'000
Trade receivables	**3,059,385**	2,284,156
Less: allowance for expected credit loss (note 11.6)	**(189,430)**	(257,239)
	2,869,955	2,026,917

Interest is charged at 12% per annum on the past due amounts in respect of sales of plots and properties.

Ageing of trade receivables

The ageing of non-impaired receivables is as follows:

	2020 AED'000	2019 AED'000
Not past due	**1,888,054**	975,216
Past due (up to 180 days)	**323,480**	386,401
Past due (more than 180 days)	**658,421**	665,300
	2,869,955	2,026,917

11.2 Refundable costs

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation to development of infrastructure of various projects and real estate developments.

11.3 Receivables relating to project finance

	Minimum payments		Present value of minimum payments	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000
Amounts receivable from project finance:				
Within one year	**18,223**	13,737	**9,099**	6,938
In the second to fifth year	**59,370**	60,120	**23,287**	24,959
After five years	**224,952**	239,201	**113,939**	117,026
	302,545	313,058	**146,325**	148,923
Less: unearned finance income	**(156,220)**	(164,135)	**-**	-
Present value of minimum payments receivable	**146,325**	148,923	**146,325**	148,923

11.4 Receivable from the Government of Abu Dhabi

Receivables from the Government of Abu Dhabi represent the amounts receivable against infrastructure handed over and land plots sold.

11.5 Due from associates and joint ventures

	Non-current		Current	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000
Gross receivables	**176,476**	174,597	**26,273**	25,889
Less: allowance for expected credit loss	**(158,811)**	(151,258)	**(16,131)**	(16,130)
	17,665	23,339	**10,142**	9,759

11.6 Allowance for expected credit loss

Movement during the year in allowance of expected credit loss:

Trade receivables

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**257,239**	313,367
Charge for the year (note 29)	**33,640**	61,078
Write off of provision, net	**(101,449)**	(117,206)
Balance at the end of the year (note 11.1)	**189,430**	257,239

Due from associates and joint ventures

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**167,388**	113,835
Charge for the year	**7,554**	53,553
Balance at the end of the year (note 11.5)	**174,942**	167,388

The Group recognises lifetime expected credit loss ("ECL") for trade and other receivables using the simplified approach. To determine the expected credit losses all debtors were classified into four categories and the ECL rate for each category was determined using a provision matrix:

- Category I – government related companies (0%);
- Category II – private companies with low credit risk (1% to 20%);
- Category III – private companies with high credit risk (20% to 60%); and
- Category IV – debtors at default (100%)

These were adjusted for factors that are specific to the debtors and 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.

During the year, the Group reassessed the ECL model for the impact of COVID-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. This was mainly due to increase in the counterparty risk (risk of default) of tenants and customers.

If the ECL rates on each time bucket had been 0.5% higher or lower as of 31 December, the loss allowance on trade receivables would have been higher or lower as follows:

	2020 AED'000	2019 AED'000
Not past due	**-**	820
Past due (up to 180 days)	**715**	2,599
Past due (more than 180 days)	**8,757**	9,443
	9,472	12,862

12 LAND HELD FOR SALE

Land held for sale represent plots of land intended to be sold in the normal course of business. If management determines to use these plots of land for development, these plots of land are transferred either to development work in progress or to investment properties under development on launch of the respective projects. Movement in land held for sale during the year was as follows:

	2020 AED'000	2019 AED'000
Balance at beginning of the year	**4,796,967**	3,806,071
Additions during the year	**51,981**	2,703,017
Exchanged during the year (note 33)	**–**	(910,345)
Recognised in costs of properties sold (direct costs)	**(97,616)**	(32,106)
Transfer from/(to) development work in progress during the year (note 13)	**37,320**	(233,079)
Transfer to investment properties during the year	**–**	(11,700)
Write-down to net realisable value (note 33)	**–**	(524,891)
Balance at the end of the year	**4,788,652**	4,796,967

As at 31 December 2020, the Group determined net realisable value of its land held for sale portfolio and recorded a write-down of nil (2019: AED 524,891 thousand) (note 33). The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which the inventory is held. The determination of net realisable value of land held for sale is based on external valuations using various valuation methodologies and techniques (note 4).

13 DEVELOPMENT WORK IN PROGRESS

Development work in progress represents development and construction costs incurred on properties being constructed for sale in the ordinary course of business. The Group expects to complete the majority of the development work in progress in the next reporting period.

Movement during the year is as follows:

	2020 AED'000	2019 AED'000
Balance at beginning of the year	**2,546,972**	2,473,374
Development costs incurred during the year	**2,556,156**	2,571,976
Recognised in costs of properties sold (direct costs)	**(1,600,469)**	(1,693,776)
Exchanged during the year (note 33)	**–**	(772,197)
Write-off of project costs (note 29)	**(27,520)**	(16,503)
Write-down (note 29)	**(74,441)**	–
Transfers from/(to):		
Land held for sale (note 12)	**(37,320)**	233,079
Inventories (note 14)	**(563,555)**	(454,616)
Investment properties (note 7)	**(80,053)**	205,635
Balance at the end of the year	**2,719,770**	2,546,972

All development work in progress projects are located in the United Arab Emirates.

As at 31 December 2020, the Group determined net realisable value of its development work in progress and recorded a write-down of AED 74,441 thousand (2019: nil) in respect of one of its development project in progress. The estimates of net realisable values are based on the most reliable evidence available at the reporting date, of the amount that the Group is expected to realise in its ordinary course of business. These estimates also take into consideration the purpose for which the inventory is held.

In respect of the development work in progress where the Group has recognised adjustment for net realisable value, the Group has conducted an analysis of the sensitivity of net realisable value to changes in key assumptions. The Group used a capitalisation rate of 7.4%. A 50bps decrease in the capitalisation rate would result in an increase of AED 33,400 thousand (2019: nil) in the valuation, whilst an increase in the capitalisation rates by 50bps would result in decrease of AED 29,100 thousand (2019: nil) in the valuation.

14 INVENTORIES

	2020 AED'000	2019 AED'000
Completed properties	**848,716**	1,005,499
Other operating inventories	**43,572**	47,287
	892,288	1,052,786

During the year, completed properties with an aggregate value of AED 563,555 thousand (2019: AED 454,616 thousand) were transferred to inventories from development work in progress upon completion (note 13).

During the year, an amount of AED 704,166 thousand was recognised as direct costs (2019: AED 90,539 thousand). Completed properties in inventories are located in the United Arab Emirates.

During the year, in line with terms of sales purchase agreements for development projects, the Group reacquired properties with a fair value of AED 108,405 thousand (2019: AED 248,485 thousand) due to contractual non-performance of counter parties. These properties were classified as inventory based on their nature.

As at 31 December 2020, the Group determined net realisable value of its inventories and concluded that no additional adjustment is needed in respect of bringing the carrying amount of inventories to their net realisable value.

15 CASH AND CASH EQUIVALENTS

	2020 AED'000	2019 AED'000
Cash and bank balances	**3,819,959**	3,161,327
Short term deposits held with banks	**1,677,859**	2,524,915
Cash and bank balances	**5,497,818**	5,686,242
Short term deposits with original maturities greater than three months	**(701,414)**	(291,544)
Restricted bank balances	**(2,209,919)**	(3,104,586)
Cash and cash equivalents	**2,586,485**	2,290,112

As at 31 December 2020, cash at banks amounting to AED 570,768 thousand (2019: AED 650,968 thousand) are not included in the Group's bank balances as it is held by the Company on behalf of third parties since the Group is not acting as a principal. Restricted cash and bank balances include balances amounting to AED 1,350,791 thousand (2019: AED 834,080 thousand) which are deposited into escrow accounts representing cash received from customers against sale of development properties. The remaining balance of restricted cash balances mainly represents cash balances designated against government projects and dividend payables for which separate bank accounts are maintained.

The interest rates on term deposits ranges between 0.0033% and 1.43% (2019: 0.4% and 3.55%) per annum. All bank deposits are placed with local banks in the United Arab Emirates.

16 SHARE CAPITAL

Share capital comprises 7,862,629,603 (2019: 7,862,629,603) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

17 RESERVES

Statutory reserve

In accordance with Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, 10% of the annual profits are transferred to the statutory reserve that is non-distributable. Transfers to this reserve may be suspended whenever the reserve reaches 50% of the paid-up share capital of the Company. As the reserves reaches 50% of the paid-up capital, the Company has suspended further transfer.

Cash flow hedging reserve

This represents the effective portion of fair value movements of the interest rate swaps contracts that are designated by the Group as hedging instruments for cash flow hedges.

Investment revaluation reserve

Investments revaluation reserve represents the net unreleased gains or losses that are recognised on the financial assets at FVTOCI.

18 NON-CONVERTIBLE SUKUK

Sukuk launched in 2018:

On 1 October 2018, Aldar Sukuk Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Island and a wholly owned subsidiary of the Group issued non-convertible sukuk ("Sukuk No. 1") for a total value of AED 1,836,750 thousand (USD 500,000 thousand). Sukuk No. 1 has a profit rate of 4.750% per annum payable semi-annually and is due for repayment in September 2025.

	2020 AED'000	2019 AED'000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(21,726)**	(26,319)
Accrued profit	**22,781**	22,538
Carrying amount	**1,837,805**	1,832,969
Less: current portion	**(22,781)**	(22,538)
Non-current portion	**1,815,024**	1,810,431

Sukuk launched in 2019:

On 22 October 2019, Aldar Sukuk (No. 2) Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Island and a wholly owned subsidiary of the Group issued non-convertible sukuk ("Sukuk No. 2") for a total value of AED 1,836,750 thousand (USD 500,000 thousand). Sukuk No. 2 has a profit rate of 3.875% per annum payable semi-annually and is due for repayment in October 2029.

	2020 AED'000	2019 AED'000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(17,090)**	(19,068)
Accrued profit	**13,642**	13,839
Carrying amount	**1,833,302**	1,831,521
Less: current portion	**(13,642)**	(13,839)
Non-current portion	**1,819,660**	1,817,682
Total non-current portion	**3,634,684**	3,628,113
Total current portion	**36,423**	36,377

19 BANK BORROWINGS

	Outstanding amount						
	Current AED'000	**Non-current AED'000**	**Total AED'000**	**Security**	**Interest rate**	**Maturity**	**Purpose**
31 December 2020:							
Ijarah facility	**-**	**420,000**	**420,000**	**Secured**	**relevant EIBOR + 1.00%**	**March 2025**	**General corporate purpose**
Term loan	**-**	**500,000**	**500,000**	**Secured**	**relevant EIBOR + 1.00%**	**September 2023**	**General corporate purpose**
Revolving credit facility	**62,500**	**952,000**	**1,014,500**	**Unsecured**	**relevant EIBOR + 1.00%**	**December 2022**	**General corporate purpose**
Term loan	**500,000**	**-**	**500,000**	**Secured**	**relevant USD LIBOR + 1.25%**	**August 2021**	**General corporate purpose**
Term loan	**-**	**400,000**	**400,000**	**Secured**	**relevant EIBOR + 1.00%**	**August 2023**	**General corporate purpose**
Term loan	**-**	**500,000**	**500,000**	**Secured**	**relevant USD LIBOR + 1.30%**	**August 2023**	**General corporate purpose**
Term loan	**-**	**500,000**	**500,000**	**Secured**	**relevant EIBOR + 1.00%**	**September 2023**	**General corporate purpose**
Revolving loan	**-**	**500,000**	**500,000**	**Secured**	**relevant EIBOR + 1.00%**	**March 2025**	**General corporate purpose**
Unamortised borrowing cost	**-**	**(7,608)**	**(7,608)**				
Accrual for interest and profits	**7,162**	**-**	**7,162**				
	569,662	**3,764,392**	**4,334,054**				
31 December 2019:							
Ijarah facility	-	420,000	420,000	Secured	relevant EIBOR + 1.50%	March 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving credit facility	62,500	1,602,000	1,664,500	Unsecured	relevant EIBOR + 1.00%	December 2022	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Term loan	-	400,000	400,000	Secured	relevant EIBOR + 1.00%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Unamortised borrowing cost	-	(14,583)	(14,583)				
Accrual for interest and profits	12,726	-	12,726				
	75,226	4,407,417	4,482,643				

19 BANK BORROWINGS continued

As at 31 December 2020, the Group had AED 4.01 billion of undrawn, committed revolving credit facilities in the form of bilateral agreements with two financial institutions having a maturity for AED 3.77 billion in December 2022 and for AED 240 million in March 2023. As at 31 December 2020, all these facilities remained committed and undrawn. Further, on 31 March 2020, the Group signed a new AED 500 million Islamic facility agreement with a financial institution. The facility is priced at 1% margin over relevant EIBOR and terminates on the fifth anniversary of the signing date. This facility was fully utilised on 1 April 2020.

In May 2018, the Group entered into a transaction with a financial institution of AED 5,000,000 thousand ("Revolving Credit Facility"). The Revolving Credit Facility involves a borrowing that is collateralised against a deposit with the same financial institution in line with the facility documents. The facility documents provide a right to the lender whereby the Group has authorised and directed the financial institution to set off the deposit and any interest accrued against any amount due and payable by the Group. The arrangement met the requirements of offsetting under IAS 32 Financial Instruments: Presentation since the Group has an enforceable right to set off the recognised amounts and the Group intends to settle on net basis, or to realise the asset and settle the liability simultaneously. This resulted in the presentation of a net borrowing in the consolidated statement of financial position. As at 31 December 2020, the net borrowing was AED 1,014,500 thousand (borrowing of AED 4,787,500 thousand less deposit of AED 3,773,000 thousand). The net borrowing is unsecured, carries interest at relevant EIBOR + 1%, drawn for general corporate purposes and repayable in semi-annual instalments of AED 31,250 thousand each. The deposit earns interest at 0.75% plus 3 months EIBOR. The Group has also presented net interest costs amounting to AED 37,507 thousand in respect of this borrowing (finance costs on borrowing amounting to AED 100,774 thousand less interest income on deposits amounting to AED 63,267 thousand) for the year ended 31 December 2020.

Certain bank borrowings are secured in the form of mortgage over plots of land included in land held for sale (AED 1,021,737 thousand) and operating assets (AED 2,736,712 thousand under investment properties and AED 483,080 thousand under property, plant and equipment) and carry a net worth covenant. Borrowings repaid during the year amounted to AED 650,000 thousand (2019: AED 1,162,500 thousand).

20 RETENTIONS PAYABLE

	2020 AED'000	2019 AED'000
Retentions payable within 12 months	**609,309**	604,694
Retentions payable after 12 months	**270,252**	260,210
	879,561	864,904

This represents amounts retained by the Group from third party contractors for construction projects.

21 LEASE LIABILITIES

Group as a lessee

The Group has entered into leases for land on which certain of the Group's buildings and investment properties are constructed. Refer to notes 5 and 7 for further information. The Group's obligations under its leases are secured by the lessor's title to the leased plots of land. Generally, the Group's leases also include restrictions on assigning and subleasing the leased assets.

Set out below are the carrying amounts and maturity analysis of lease liabilities as at 31 December:

	2020 AED'000	2019 AED'000
Maturity analysis:		
Year 1	**42,947**	56,986
Year 2	**36,828**	35,650
Year 3	**38,169**	35,677
Year 4	**38,514**	37,106
Year 5	**38,553**	37,136
Onwards	**331,682**	341,196
Balance at the end of the year	**526,693**	543,751
Less: unearned interest	**(186,995)**	(191,386)
	339,698	352,365
Analysed as:		
Non-current	**304,611**	302,309
Current	**35,087**	50,056

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

The following are the amounts recognised in profit or loss:

	2020 AED'000	2019 AED'000
Depreciation expense of right-of-use assets	**3,848**	2,692
Unwinding of interest expense on lease liabilities during the year (note 31)	**15,186**	17,208

The Group had total cash outflows for leases of AED 42,988 in 2020 (2019: AED 42,011 thousand). The Group did not have major non-cash additions to right-of-use assets and lease liabilities during 2020 and 2019.

22 EMPLOYEE BENEFITS

	2020 AED'000	2019 AED'000
Employees' end-of-service benefits	**155,618**	155,094
Long term incentive scheme	**27,047**	12,370
Balance at the end of the year	**182,665**	167,464

End-of-service benefits

Movements in the provision for employees' end of service benefits are as follows:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**155,094**	145,479
Charge for the year	**38,814**	39,154
Acquired in business combination	**198**	-
Derecognised on disposal of businesses	**(384)**	-
Paid during the year	**(38,104)**	(29,539)
Balance at the end of the year	**155,618**	155,094

22 EMPLOYEE BENEFITS continued

Long term incentive scheme

The Group's Board of Directors has approved a Long Term Incentive (LTI) scheme for certain employees of the Company. The LTI scheme is designed to provide long-term incentives for certain senior management team to deliver long-term shareholder returns. Under the LTI scheme, the eligible employee contributes 30% of their performance bonus towards the LTI fund and the Company matches the same percentage (30%) as an additional contribution. The contribution of both the employees and the Company are invested in Restricted Share Units (RSU). Participants are granted a promised issuance of cash based on the total return of the Company's equity shares if vesting requirements are met at the end of a 3-year retention period. Vesting of shares will be completed at a 3 years rate. A cash amount representing the value of vested portion is paid upon completion of the service condition. The expense for year in respect of the LTI scheme amounted to AED 16,267 thousand (2019: AED 7,751 thousand), payment made during the year of AED 1,590 thousand (2019: nil) while the liability relating to the LTI Scheme as at 31 December 2020 amounted to AED 27,047 thousand (2019: AED 12,370 thousand). The fair value of the RSUs is measured at each reporting date using an option pricing model pricing model, taking into account the terms and conditions on which the instruments were granted and the current likelihood of continued employment of eligible employees.

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into floating to fixed interest rate swaps to partially hedge its interest rate risk in relation to its floating rate borrowings. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined counterparty banks by discounting the future cash flows using the applicable yield curves derived from observable interest rates. As per the terms of the contracts, the Company's floating interest rate payments relating to a notional amount of AED 227,439 thousand of the borrowings are at a fixed rate in exchange for the bank paying 3 month USD LIBOR. The fair values of these interest rate swaps are presented below:

	31 December 2020		31 December 2019	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial liabilities – interest rate swaps	**15,330**	**Level 2**	10,760	Level 2

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships. Refer to note 37.5b for disclosures related to recent interest rate benchmark reforms.

The following table summarises information regarding interest rate swap contracts outstanding at the reporting date:

	Average contracted fixed interest rate		**Notional amount**		**Carrying amount of the hedging instrument liability**	
Maturity profile	**2020**	2019	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
Less than 1 year	**6.07%**	–	**43,764**	–	**(1,655)**	–
1 to 2 years	**–**	6.07%	**–**	68,080	**–**	(3,337)
2 to 5 years	**2.73%**	2.73%	**183,675**	183,675	**(13,675)**	(7,423)
Total			**227,439**	251,755	**(15,330)**	(10,760)

Movement in the cash flow hedging reserve was as following:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**(33,482)**	70,547
Cumulative fair value loss arising on hedging instruments during the year classified under cash flow hedges	**(4,570)**	(96,104)
Cumulative gain/(loss) arising on hedging instruments reclassified to profit or loss (note 31)	**6,998**	(9,362)
Fair value loss arising on hedging instruments during the year classified under cash flow hedges of a joint venture (note 8)	**–**	(280)
Cumulative loss arising on hedging instruments of a joint venture reclassified to profit or loss upon derecognition (note 8)	**–**	1,717
Balance at the end of the year	**(31,054)**	(33,482)

24 TRADE AND OTHER PAYABLES

	2020 AED'000	2019 AED'000
Trade payables	**387,917**	431,239
Accrual for contractors' costs	**2,796,945**	2,375,587
Advances from the Government of Abu Dhabi (note 36)	**178,025**	416,559
Deferred income	**275,392**	305,191
Dividends payable	**89,059**	90,659
Provision for onerous contracts	**16,430**	14,880
Due to the Government of Abu Dhabi	**67,028**	1,123,868
Other liabilities (note 24.1)	**672,086**	1,016,481
	4,482,882	5,774,464

The Group has financial and risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24.1 Other liabilities include net contingent consideration payable of AED 51,366 thousand at 31 December 2020 (31 December 2019: AED 46,895 thousand). The aggregate amount of contingent consideration shall not exceed AED 75,000 thousand. The fair value of the contingent consideration is estimated at AED 51,366 thousand. There was no change in the fair value of contingent consideration payable as at 31 December 2020 as there were no significant changes in the range of outcomes or the assumptions used to develop the estimate. The fair value of the contingent consideration was estimated by applying an income approach. The fair value measurement is based on significant inputs that are not observable in the market therefore this is a Level 3 measurement in the fair value measurement hierarchy as at 31 December 2020 and 31 December 2019. Key assumptions include a discount rate of 9.7% and probable outflow of AED 60,990 thousand.

25 REVENUE AND RENTAL INCOME

	2020 AED'000	2019 AED'000
Property development	**3,700,398**	2,731,445
Development management	**1,261,771**	365,574
Rental income on investment properties	**1,639,248**	1,728,773
Hospitality and leisure	**418,445**	697,915
Fee and related income from schools	**477,959**	464,590
Construction contracts	**422,334**	669,633
Property and facilities management	**384,876**	404,980
Cooling assets	**87,447**	84,971
	8,392,478	7,147,881

Rental income on investment properties includes contingent rental income of AED 26,005 thousand (2019: AED 26,846 thousand).

26 DIRECT COSTS

	2020 AED'000	2019 AED'000
Property development	**2,509,002**	1,728,984
Development management	**1,047,505**	215,761
Direct cost of investment properties	**329,029**	344,472
Hospitality and leisure	**382,563**	571,648
Direct cost related to schools	**355,496**	366,947
Construction contracts	**410,757**	743,512
Property and facilities management	**334,956**	363,702
Cooling assets	**40,138**	43,211
	5,409,446	4,378,237

27 SELLING AND MARKETING EXPENSES

	2020 AED'000	2019 AED'000
Projects marketing	**92,665**	49,331
Corporate advertising and events	**30,839**	37,272
Exhibitions and sponsorships	**1,945**	22,919
	125,449	109,522

28 STAFF COSTS

	2020 AED'000	2019 AED'000
Salaries, bonuses and other benefits	**829,123**	847,380
Employees' end of service benefits (note 22)	**38,814**	39,154
Staff training and development	**1,823**	3,639
	869,760	890,173

	2020 AED'000	2019 AED'000
Staff costs are allocated to:		
Direct costs	**589,914**	625,049
General and administrative expenses	**253,853**	237,423
Projects under development	**25,993**	27,701
	869,760	890,173

29 PROVISIONS, IMPAIRMENTS AND WRITE-DOWNS, NET

	2020 AED'000	2019 AED'000
Provision for impairment of investment in associates and joint ventures (note 29.1)	**70,991**	–
Receivables written-off	**37,642**	1,167
Provision for expected credit losses, net (note 11.6)	**33,640**	61,078
Impairment/(reversal of impairment) on property, plant and equipment (note 5)	**1,396**	(29,186)
Provision on due from associates and joint ventures	**–**	46,000
Provision/(release) for onerous contracts	**8,258**	(6,842)
Write-down of development work in progress (note 13)	**101,961**	16,503
Others (note 29.2)	**41,914**	63,955
	295,802	152,675

29.1 This represents provision for impairment recorded for the Company's investment in Abu Dhabi Finance PJSC ("ADF"), an associate of the Group. During the year, the Company performed impairment assessment for its associate and concluded that its recoverable amount, which is based on a binding offer for acquisition of associate's operations, was lower than the carrying value of the associate. As the Company's recoverable amount from the associate was lower than the carrying value of the associate, the Company recognised impairment on the carrying value of the associate.

29.2 Others for the year 2020 mainly include provision against other receivables. Others for the year 2019 mainly include provisions recorded in respect of cost overruns on certain projects.

30 FINANCE INCOME

	2020 AED'000	2019 AED'000
Interest/profit earned on:		
Islamic deposits	**19,915**	22,321
Bank fixed deposits	**4,722**	14,172
Call and current accounts	**13,376**	24,231
Total interest/profit earned	**38,013**	60,724
Financing income earned on receivables from project finance	**12,115**	12,238
Other finance income	**17,112**	11,125
	67,240	84,087

Finance income earned on financial assets, analysed by category of asset is as follows:

	2020 AED'000	2019 AED'000
Loans and receivables	**29,227**	23,363
Bank balances and deposits	**38,013**	60,724
	67,240	84,087

31 FINANCE COSTS

	2020 AED'000	2019 AED'000
Finance costs on bank borrowings and non-convertible sukuk	**284,039**	335,876
Unwinding of finance cost on operating lease liability (note 21)	**15,186**	17,208
Others	**4,474**	5,997
	303,699	359,081
Cumulative gain/(loss) arising on hedging instruments reclassified to profit or loss	**6,998**	(9,362)
	310,697	349,719

32 OTHER INCOME

	2020 AED'000	2019 AED'000
Government grant income recorded upon handover of infrastructure assets (note 36)	**2,412**	115,707
Release of liabilities, accruals and provisions (32.1)	**143,391**	44,752
Others (32.2)	**43,734**	97,928
	189,537	258,387

32.1 The amount for the year represents reversal of provision which was no longer required following management's assessment at reporting date of the estimated cash flows required based on latest information which highlighted that it is no longer probable that a transfer of economic benefits will be required to settle the obligation. The provision was related to variable obligation of the Company for use of a plot of land. Balance of this provision at 31 December 2019 amounted to AED 159,975 thousand of which an amount of AED 18,009 thousand was paid during the year related to share of profits from 2016 to 2018 after agreement with the counterpart. No expense was recognised in profit or loss during the year in respect of this provision.

The amount for the year ended 31 December 2019 represents reversal of various liabilities and accruals which are no longer payable.

32.2 The amount for the year ended 31 December 2020 includes an amount of AED 36,912 thousand representing gain on exchange of properties. During the year, in arrangements with the Government of Abu Dhabi and third parties, the Company received plots of land from the Government of Abu Dhabi in exchange of certain plots of land, title deeds of which were in the name of the Company. The settlement resulted in recognition of land held for sale of AED 74,232 thousand which is the fair value of GFA received by the Company and derecognition of land and related costs of the properties given which amounted to AED 37,320 thousand resulting in a gain of AED 36,912 thousand.

The amount for the year ended 31 December 2019 include an amount of AED 60,942 thousand representing fair value of a plot of land acquired from Tourism Development Investment Company PJSC ("TDIC") pursuant to a warranty claim settlement under the framework agreement.

33 GAIN ON EXCHANGE OF PROPERTIES, NET OF WRITE-DOWNS

	2020 AED'000	2019 AED'000
Gain on exchange of properties (note 33.1) (note 36)	**-**	913,275
Write-down of land held for sale to net realisable value (note 12)	**-**	(524,891)
	-	388,384

33.1 During 2019, the Executive Counsel of the Government of Abu Dhabi resolved to exchange plots of land with the Group in a transaction that exchanged developable land resources in line with the parties' strategic priorities. The Group received infrastructure enabled land that has a gross floor area ("GFA") of approximately 3 million sqm split equally between the prime areas of Saadiyat Cultural District and Mina Zayed, both properties situated in the Emirate of Abu Dhabi. The Government of Abu Dhabi received plots of land with a comparable GFA in Al Raha Beach West, Lulu Island along with certain plots inside the Abu Dhabi Island that were not part of the Group's development strategy in the foreseeable future. The fair value of the plots of land received amounted to AED 2,606,443 thousand while the carrying values of the plots of land given were AED 1,683,167 thousand (inclusive of plots with nominal carrying value of AED 1), resulting in a gain of AED 913,275 thousand (net of transaction cost of AED 10,000 thousand) which was recorded in profit or loss as gain on exchange of properties.

34 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
Earnings (AED '000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,932,238**	1,984,097
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	7,862,629,603
Basic and diluted earnings per share attributable to owners of the Company in AED	**0.246**	0.252

35 DIVIDENDS

At the annual general assembly held on 18 March 2020, the shareholders approved the recommendation of the Board of Directors to distribute dividends of 14.5 fils per share for a total of AED 1,140,082 thousand. The Board of Directors, in their meeting held on 14 February 2021, proposed a cash dividend of 14.5 fils per share for the year ended 31 December 2020. The proposed dividend is subject to approval of the Shareholders at the annual general assembly.

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise of major shareholder, associated companies, directors, key management personnel of the Group and their related entities. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management. Government of Abu Dhabi is an indirect major shareholder of the Company. The balances and transactions disclosed below with reference to Government of Abu Dhabi also include the entities controlled by Government of Abu Dhabi.

36.1 Related party balances:

	2020 AED'000	2019 AED'000
(1) Government of Abu Dhabi		
Trade and other receivables	**604,190**	884,211
Trade and other payables	**(141,515)**	(1,485,707)

The decrease in trade and other payables is mainly due to AED 1,078,200 thousand net cash balances paid to the related party in respect of fee based projects managed on their behalf.

	2020 AED'000	2019 AED'000
Advances received (note 24)	**(178,025)**	(416,559)
(2) Major shareholder and its affiliates		
Trade and other receivables	**1,008,558**	29,432

The increase in trade and other receivables is mainly due to AED 968,223 thousand receivable from disposal of subsidiaries (note 46) outstanding at 31 December 2020.

36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

36.1 Related party balances: continued

	2020 AED'000	2019 AED'000
Trade and other payables	**(4,635)**	(12,571)
(3) Due from associates and joint ventures (note 11.5)	**27,806**	33,099
(4) Due to joint ventures for project-related work	**(32,692)**	(32,692)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Other than as disclosed in note 11.6 for allowance of expected credit losses against due form associates and joint ventures, no provision has been made for doubtful debts in respect of the amounts owned by related parties. Certain receivables from joint ventures carry interest of 9% per annum and are repayable within 2 to 5 years.

36.2 Related party transactions:

	2020 AED'000	2019 AED'000
(1) Government of Abu Dhabi:		
Revenue	**1,700,442**	741,849
Other income from infrastructure handover	**39,323**	115,707
Gain on exchange of properties (note 33)	**–**	913,275

The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised in profit or loss. During the year, an amount of AED 2,412 thousand was recognised as government grant income upon handover of infrastructure assets (2019: AED 115,707 thousand) (note 32).

	2020 AED'000	2019 AED'000
(2) Finance income from project finance	**8,880**	8,982
(3) Major shareholder and its affiliates:		
Revenue	**34,745**	45,786
(4) Finance income from joint ventures:	**7,553**	7,553
(5) Key management compensation		
Salaries, bonuses and other benefits	**15,503**	16,054
Post-employment benefits	**672**	2,013
Long term incentives	**5,574**	6,270
	21,749	24,337
(6) Directors' remuneration – expense	**9,700**	23,000

During the year, the Company paid Directors' remunerations amounting to AED 13,950 thousand (31 December 2019: AED 16,075 thousand).

36.3 Other balances and transactions with related parties:

(1) Refer to note 46 for a transaction with an associate of major shareholder.
(2) Outstanding borrowings of AED 2,414,500 thousand (2019: AED 3,064,500 thousand) are due to the banks controlled by the Government and major shareholder. Finance cost on these borrowings amounted to AED 79,307 thousand for the year ended 31 December 2020 (2019: AED 176,910 thousand).
(3) Deposits and bank balances of AED 3,297,791 thousand (2019: AED 4,135,072 thousand) are kept with banks controlled by the Government and major shareholder. Finance income on these deposits amounted to AED 13,490 thousand for the year ended 31 December 2020 (2019: AED 36,530 thousand).
(4) Letter of credits and bank guarantees issued through banks controlled by the Government and major shareholder amounted to AED 310,263 thousand for the year ended 31 December 2020 (2019: AED 130,847 thousand).

37 CONTINGENCIES AND COMMITMENTS

37.1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	2020 AED'000	2019 AED'000
Projects under development	**1,294,780**	2,600,863
Reimbursable projects work in progress	**1,150,779**	2,239,164
	2,445,559	4,840,027

The above commitments are spread over a period of one to five years.

The Group has outstanding advances to the suppliers and contractors amounting to AED 386,698 thousand (2019: AED 642,826 thousand) against the above commitments.

37.2 Operating lease commitments

The Group as lessor

The Group has entered into operating leases on its investment property portfolio owned by the Group and have terms of between 1 and 20 years (2019: 1 and 20 years). The lessees do not have an option to purchase the property at the expiry of the lease period. The commercial property lease arrangements include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

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

	2020 AED'000	2019 AED'000
Buildings:		
Within one year	**871,763**	835,379
In the second to fifth year	**1,838,969**	1,950,133
After five years	**1,500,663**	1,426,485
	4,211,395	4,211,997

In addition to the above lease commitments, the Group also have lease contracts where it is entitled to receive rent based on turnover of tenants and service charges.

37.3 Contingencies

Letters of credit and bank guarantees

	2020 AED'000	2019 AED'000
Letters of credit and bank guarantees	**953,119**	1,005,590
Group's share in contingencies of joint ventures and associates	**3**	23

Included in the above are bank guarantees and letters of credit amount of AED 586,564 thousand (2019: AED 795,772 thousand) pertaining to a construction related subsidiary.

38 FINANCIAL INSTRUMENTS

38.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

38.2 Categories of financial instruments

	2020 AED'000	2019 AED'000
Financial assets		
Investment in financial assets at FVTOCI	**53,905**	55,202
Receivables and cash and bank balances	**11,611,369**	11,268,209
	11,665,274	11,323,411
Financial liabilities		
Financial liabilities measured at amortised cost	**13,119,263**	14,121,211
Derivative financial instruments	**15,330**	10,760
	13,134,593	14,131,971

38.3 Financial risk management

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks relating to operations of the Group based on internally developed models, benchmarks and forecasts which analyses exposures by degree and magnitude of risks. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

38.4 Capital risk management

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the year 2019.

The capital structure of the Group comprises non-convertible Sukuk, borrowings, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group monitors and adjusts its capital structure in light of changes in economic conditions with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

The Group monitors its cost of debt on a regular basis. At 31 December 2020, the weighted average cost of debt was 2.91% (2019: 3.84%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of seven (2019: seven) borrowing arrangements require maintaining a minimum tangible net worth. Three loans require a minimum tangible net worth of AED 6 billion of the Group and four loans require a minimum tangible net worth of AED 4 billion of a subsidiary.

38.5 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

a) Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group consolidated financial statements at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

Foreign currency sensitivity analysis

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
US Dollar	**4,712,256**	4,708,877	**93,333**	418,969
Saudi Riyal	**3,572**	9,762	**32,763**	41,682
Euro	**57**	276	**–**	–
	4,715,885	4,718,915	**126,096**	460,651

There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar. Also, the Saudi Riyal is pegged to the US Dollar.

b) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: USD LIBOR and EIBOR (collectively "IBORs"). As listed in note 22, the hedged items include issued USD and AED fixed rate debt and issued USD and AED floating rate debt. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The regulators have made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit IBORs.

In response to the announcements, the Group has set up an IBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal and accounting. The programme is under the governance of the Chief Financial and Sustainability Officer who reports to the Board. The aim of the programme is to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to finalise its transition and fall-back plans by the end of first half of year 2021.

None of the Group's current LIBOR and EIBOR linked contracts include adequate and robust fall-back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back clauses were made available at the end of 2019 and during 2020 the Group started discussions with its banks with the aim to implement this language into its ISDA agreements.

38 FINANCIAL INSTRUMENTS continued

38.5 Market risk management continued

b) Interest rate risk management continued

For the Group's floating rate debt, the Group has started discussions with its banking group to amend the dollar and dirham bank loans so that the reference benchmark interest rate will change to a new risk-free rate. The Group is currently taking advice on the requirements to amend its dirham EIBOR denominated debt. The Group aims to finalise the amendments to its dollar denominated debt by the end of year 2021.

Below are details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments. The Group is exposed to interest rate risk as the Group borrow funds at fixed and floating interest rates:

Hedge Type	Instrument Type	Maturing in	Nominal	Hedged from
Interest Rate Swap Agreement	Receives 3-month LIBOR pays fixed interest rate swap	24 Dec 2023	USD 50,000,000	3-month LIBOR
Interest Rate Swap Agreement	Receives 1-year EIBOR pays fixed interest rate swap	4 Jan 2021	AED 43,764,164	1-year EIBOR

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by AED 25,276 thousand (2019: increase/decrease by AED 25,156 thousand).

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Cash flow hedges

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The Group's derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

38.6 Credit risk management

Credit risk in relation to the Group, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank balances and derivative financial assets (liquid assets).

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

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 11.1. Management believes that the concentration of credit risk is mitigated by having received instalment payments, in some cases substantial, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover the losses incurred by the Group.

At 31 December 2020, 100% (2019: 100%) of the deposits were placed with 9 local banks and 1 foreign bank in KSA. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE & KSA and are regulated by the Central bank of the respective countries.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with receivables related to property development is mitigated because they are secured over the underlying property units. The Group is not permitted to sell or repledge the underlying properties in the absence of default by the counterparty. There have not been any significant changes in the quality of the underlying properties.

38.7 Liquidity risk management

The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 and 2019.

	<1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
31 December 2020						
Financial liabilities						
Non-interest bearing instruments (i)	**164,893**	**3,472,571**	**1,206,385**	**270,253**	**–**	**5,114,102**
Non-convertible sukuk	**–**	**22,781**	**13,642**	**1,797,934**	**1,836,750**	**3,671,107**
Variable interest rate instruments	**3,449**	**34,962**	**531,251**	**3,772,000**	**–**	**4,341,662**
Lease liabilities	**2,683**	**32,163**	**8,101**	**152,065**	**331,681**	**526,693**
Derivative financial instruments	**1,655**	**–**	**–**	**13,675**	**–**	**15,330**
Total	**172,680**	**3,562,477**	**1,759,379**	**6,005,927**	**2,168,431**	**13,668,894**
31 December 2019						
Financial liabilities						
Non-interest bearing instruments (i)	134,396	3,206,659	683,890	581,302	156,837	4,763,084
Non-convertible sukuk	–	22,538	13,839	–	3,673,500	3,709,877
Variable interest rate instruments	3,752	8,975	62,500	4,422,000	–	4,497,227
Lease liabilities	3,863	30,713	22,409	145,568	341,198	543,751
Derivative financial instruments	–	–	–	10,760	–	10,760
Total	142,011	3,268,885	782,638	5,159,630	4,171,535	13,524,699

(i) Including security deposits from customers.

39 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as disclosed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	2020		2019	
	Gross carrying amount AED'000	**Fair value AED'000**	Gross carrying amount AED'000	Fair value AED'000
Financial liabilities at amortised cost				
Sukuk No.1 (note 18)	**1,837,805**	**2,058,611**	1,832,969	1,989,274
Sukuk No.2 (note 18)	**1,833,302**	**1,991,974**	1,831,521	1,887,555

The non-convertible sukuk are categorised under Level 1 in the fair value hierarchy.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about the fair values of these financial assets as at 31 December 2020 and 31 December 2019:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2020				
Investments in financial assets at FVTOCI				
Equities (note 9)	**37,500**	**–**	**16,405**	**53,905**
31 December 2019				
Investments in financial assets at FVTOCI				
Equities (note 9)	40,000	–	15,202	55,202

There were no transfers between level 1, level 2 or level 3 during the current or prior year.

40 SEGMENT INFORMATION

40.1 Business segments

Segment information about the Group's continuing operations is presented below:

Year ended 31 December 2020

	Property development and management		**Asset management**				
	Property development and sales AED'000	**Development management AED'000**	**Investment properties AED'000**	**Hospitality and leisure AED'000**	**Adjacencies AED'000**	**Eliminations AED'000**	**Consolidated AED'000**
Revenue from external customers							
– Over a period of time	**2,432,363**	**1,250,211**	**–**	**197,163**	**1,372,815**	**–**	**5,252,552**
– At a point in time	**1,268,035**	**11,560**	**–**	**221,283**	**–**	**–**	**1,500,878**
– Leasing	**–**	**–**	**1,639,048**	**–**	**–**	**–**	**1,639,048**
Inter–segments	**–**	**–**	**3,488**	**370**	**74,845**	**(78,703)**	**–**
Gross revenue (i)	**3,700,398**	**1,261,771**	**1,642,536**	**418,816**	**1,447,660**	**(78,703)**	**8,392,478**
Cost of revenue excluding service charge	**(2,512,331)**	**(1,047,505)**	**(264,245)**	**(382,933)**	**(1,161,312)**	**86,571**	**(5,281,755)**
Service charge expenses	**–**	**–**	**(127,691)**	**–**	**–**	**–**	**(127,691)**
Gross profit	**1,188,067**	**214,266**	**1,250,600**	**35,883**	**286,348**	**7,868**	**2,983,032**
Depreciation and amortisation	**–**	**–**	**(9,529)**	**(156,687)**	**(85,661)**	**1,277**	**(250,600)**
Provisions, impairments and write –downs, net	**(39,301)**	**–**	**(104,835)**	**(1,148)**	**(36,987)**	**24,758**	**(157,513)**
Fair value loss on investment properties, net	**–**	**–**	**(399,850)**	**–**	**–**	**–**	**(399,850)**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**54**	**–**	**–**	**54**
Gain on disposal of investment property	**–**	**–**	**4,396**	**–**	**–**	**–**	**4,396**
Gain on transfer from development work in progress to investment properties due to change in use	**–**	**–**	**3,343**	**–**	**–**	**–**	**3,343**
Selling and marketing expenses	**–**	**–**	**–**	**–**	**–**	**4,604**	**4,604**
Other income	**37,074**	**–**	**147,038**	**1,394**	**2,432**	**(40,502)**	**147,436**
Segment profit	**1,185,840**	**214,266**	**891,163**	**(120,504)**	**166,132**	**(1,995)**	**2,334,902**
Gain on disposal of businesses							**58,432**
Gain on disposal of subsidiaries							**429,535**
Share of loss from associates and joint ventures							**(9,875)**
Selling and marketing expenses							**(130,053)**
Provisions, impairments and write –downs, net							**(138,289)**
General and administrative expenses							**(393,967)**
Depreciation and amortisation							**(17,101)**
Finance income							**67,240**
Finance costs							**(310,697)**
Other income							**42,101**
Profit for the year							**1,932,228**

(i) Gross revenue of investment properties includes AED 127,691 thousand of revenue from service charges.

40 SEGMENT INFORMATION continued

40.1 Business segments continued

Year ended 31 December 2019

	Property development and management		Asset management				
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Adjacencies AED'000	Eliminations AED'000	Consolidated AED'000
Revenue from external customers							
– Over a period of time	2,493,694	318,043	–	364,563	1,624,175	–	4,800,475
– At a point in time	237,751	47,531	–	333,351	–	–	618,633
– Leasing	–	–	1,728,773	–	–	–	1,728,773
Inter-segments	–	–	–	710	140,580	(141,290)	–
Gross revenue (ii)	2,731,445	365,574	1,728,773	698,624	1,764,755	(141,290)	7,147,881
Cost of revenue excluding service charge	(1,832,658)	(215,761)	(215,499)	(572,357)	(1,532,702)	156,231	(4,212,746)
Service charge expenses	–	–	(165,491)	–	–	–	(165,491)
Gross profit	898,787	149,813	1,347,783	126,267	232,053	14,941	2,769,644
Depreciation and amortisation	–	–	(10,605)	(155,496)	(87,191)	–	(253,292)
Provisions, impairments and write-downs, net	(30,409)	–	(69,950)	46,827	4,835	–	(48,697)
Fair value loss on investment properties, net	(128,112)	–	(246,639)	–	–	–	(374,751)
Gain on disposal of property, plant and equipment	–	–	23,014	(50)	–	–	22,964
Gain on disposal of investment property	–	–	23,856	–	–	–	23,856
Gain on exchange of properties, net of write-downs	388,384	–	–	–	–	–	388,384
Other income	149,327	–	–	–	9,751	(15,329)	143,749
Segment profit	1,277,977	149,813	1,067,459	17,548	159,448	(388)	2,671,857
Share of profit from associates and joint ventures							(3,096)
Selling and marketing expenses							(109,522)
Provisions, impairments and write-downs, net							(103,978)
General and administrative expenses							(363,830)
Depreciation and amortisation							(15,258)
Finance income							84,087
Finance costs							(349,719)
Other income							114,638
Profit for the year							1,925,179

(ii) Gross revenue of investment properties includes AED 165,491 thousand of revenue from service charges.

The segment assets and liabilities and capital and project expenditures are as follows:

	Property development and management		**Asset management**					
	Property development and sales AED'000	**Development management AED'000**	**Investment properties AED'000**	**Hospitality and leisure AED'000**	**Adjacencies AED'000**	**Unallocated AED'000**	**Eliminations AED'000**	**Group AED'000**
As at 31 December 2020								
Assets	**12,810,329**	**1,543,970**	**17,976,940**	**2,356,833**	**1,704,874**	**3,838,327**	**1,375**	**40,232,648**
Liabilities	**(3,542,860)**	**(1,117,922)**	**(7,101,469)**	**(992,680)**	**(1,089,919)**	**(683,253)**	**(2,860)**	**(14,530,963)**
Capital expenditures	**51,980**	**–**	**409**	**28,578**	**65,280**	**1,611**	**–**	**147,858**
Project expenditures	**2,546,145**	**–**	**69,010**	**–**	**10,011**	**–**	**–**	**2,625,166**
As at 31 December 2019								
Assets	13,213,835	2,875,988	18,189,259	2,678,107	2,436,838	1,873,084	(388)	41,266,723
Liabilities	(2,885,323)	(2,911,411)	(7,422,137)	(1,132,190)	(1,251,952)	(712,460)	–	(16,315,473)
Capital expenditures	2,703,018	–	–	94,152	31,178	2,187	–	2,830,535
Project expenditures	2,563,314	3,905	1,224,756	–	4,757	–	–	3,796,732

The Group's operating segments are established on the basis of those components that are evaluated regularly by the Chief Executive Officer, considered to be the Chief Operating Decision Maker ("CODM"). The CODM monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, gross profit and a broad range of key performance indicators in addition to segment profitability.

For management purposes, at 31 December 2020 and 2019, the Group is organised into three major segments, as follows:

- property development and management (develop, sell and manage development projects);
- asset management (lease and manage retail, commercial and residential properties, hotels and leisure activities); and
- adjacencies (mainly education, construction, property/facilities management and cooling operations).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit or loss earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of results of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporates assets, investment in associates and joint ventures, investment in financial assets at fair value through other comprehensive income and derivative financial instruments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than corporate payables and derivative financial instruments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

40.2 Geographical segments

The Group operated mainly in one geographical segment, i.e., United Arab Emirates.

41 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses include social contributions amounting to AED 10,000 thousand (2019: AED 36,000 thousand).

42 NON-CASH TRANSACTIONS

The following were significant non-cash transactions relating to investing and financing activities of consolidated statement cash flows:

	2020 AED'000	2019 AED'000
Disposal of a joint venture (note 8)	–	771,976
Addition to investment properties (note 7)	–	1,111,480
Addition to bank borrowings (note 8)	–	507,601
Transfer between investment properties and property, plant and equipment (notes 5, 7)	–	13,665
Transfer between investment properties and development work in progress (note 13)	**80,053**	205,635

43 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Balance at 1 January 2020 AED'000	Financing cash flows (i) AED'000	Fair value adjustments AED'000	Others (ii) AED'000	Balance at 31 December 2020 AED'000
Bank borrowings and sukuk (i)	8,147,135	(424,146)	–	282,172	8,005,161
Lease liabilities	352,365	(42,988)	–	30,321	339,698
Derivative financial instruments	10,760	–	4,570	–	15,330
	8,510,260	**(467,134)**	**4,570**	**312,493**	**8,360,189**

(i) The cash flows from bank borrowings and sukuk make up the net amount of proceeds from bank borrowings and sukuk and repayments of borrowings and sukuk (inclusive of finance cost paid) in the consolidated statement of cash flows.
(ii) Others include finance costs incurred

44 NON-CONTROLLING INTERESTS

The table below shows details of the material non-controlling interests of the non-wholly owned subsidiaries of the Group:

		Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
Name of subsidiary	Place of incorporation and principal place of business	2020 (%)	2019 (%)	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Pivot Engineering & General Contracting Co. (WLL) ("PIVOT")	UAE	**34.8**	34.8	**(1,047)**	(59,323)	**70,819**	71,866
Saadiyat Cooling LLC ("SC LLC") (i)	UAE	–	15	**1,037**	404	–	41,804
Total						**70,819**	113,670

(i) Disposed during the year 2020 (refer note 46).

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 AED'000 Pivot	2020 AED'000 SC LLC	2019 AED'000 Pivot	2019 AED'000 SC LLC
Assets	**562,188**	–	947,705	303,254
Liabilities	**(547,672)**	–	(859,764)	(321,455)
Net assets	**14,516**	–	87,941	(18,201)
Revenue	**422,334**	–	669,633	74,001
Expenses	**(425,344)**	–	(840,100)	(71,304)
(Loss)/profit for the year	**(3,010)**	–	(170,467)	2,697
Net cash (outflows)/inflows from operating activities	**(192,605)**	–	111,392	33,694
Net cash inflows/(outflows) from investing activities	**9,133**	–	(189,609)	(2,979)

45 BUSINESS COMBINATION

On 1 December 2020, Provis Real Estate Management – Sole Proprietorship LLC, Dubai Branch ("Provis", a subsidiary of the Group) acquired 100% of the capital of Pacific Owners Association Management Services LLC ("Pacific UAE"). Pacific UAE, a sole establishment registered in the Emirates of Dubai, UAE is an Owners Association management company that manages different types of residential, commercial, retail, hotels and mixed used prestigious properties around Dubai. The business acquired qualifies as a business combination under IFRS 3. The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed, have been recognised at their respective fair values. Pacific UAE was acquired as part of plan of Provis to expand by acquiring existing entities in the related industry.

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Notes	Fair values recognised AED'000
Assets		
Property, plant and equipment		**18**
Intangible assets	6	**9,111**
Trade and other receivables		**2,073**
Cash and bank balances		**798**
Total assets		**12,000**
Liabilities		
Provision for end of service benefits		**198**
Trade and other payables		**517**
Total liabilities		**715**
Total identifiable net assets at fair value		**11,285**
Less: purchase consideration		**(14,436)**
Goodwill	6	**3,151**

As of 1 December 2020, the fair value of the trade receivables acquired amounts to AED 399 thousand. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

Acquisition related costs amounted to AED 815 thousand were expensed during the year and are included in general and administrative expenses. From the date of acquisition, Pacific UAE contributed revenue of AED 565 thousand and net loss of AED 755 thousand towards the operations of the Group. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been higher by AED 6,257 thousand and net profit would have been higher by AED 1,635 thousand. The net assets recognised in these consolidated financial statements were based on a provisional assessment of their fair values.

45 BUSINESS COMBINATION continued

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	(11,333)
Net cash acquired on business combination	798
Net of cash outflows on acquisition (included in cash flows from investing activities)	(10,535)
Transaction costs of the acquisition (included in cash flows from operating activities)	(815)
Net cash outflow on acquisition	(11,350)

46 DISPOSAL OF SUBSIDIARIES

On 23 December 2020, the Group (the "Seller") entered into a sale purchase agreements ("SPAs") with National Central Cooling Company PJSC ("Tabreed" or the "Purchaser") and sold the district cooling operations (the "Cooling Entities") of the Group comprising the Group's entire interest in Saadiyat Cooling LLC (a 85% owned subsidiary) and Saadiyat District Cooling LLC (a wholly owned subsidiary). Based on the SPAs, Tabreed acquired the Group's interest in the Cooling Entities for a total consideration of AED 963 million (Group's share of AED 913 million) in addition to working capital adjustments. The disposal was completed on 31 December 2020 on satisfactorily completion of all the substantive conditions precedent, on which date control of the Cooling Entities passed to Tabreed.

The Cooling Entities were a component of adjacencies business segment of the Group. Given the infrastructure nature, the Cooling Entities were non-core to the Group's operations and required specialised skills and expertise to operate and hence serve a case for opportunistic exit. The transaction highlights the Group's asset management strategy to actively pursue profitable investment exits and redeploy capital into accretive opportunities. The proceeds will be used to finance further growth of the Group's diversified portfolio of high-quality income-generating properties.

The assets and liabilities of the Cooling Entities at the date of disposal were as follows:

	Saadiyat Cooling LLC AED'000	Saadiyat District Cooling LLC AED'000	Total AED'000
Property, plant and equipment (note 5)	245,764	57,119	302,883
Intangible assets (note 6)	82,917	75,249	158,166
Trade and other receivables	43,235	17,685	60,920
Cash and bank balances	54,592	9,184	63,776
Trade and other payables	(33,228)	(19,487)	(52,715)
Non-controlling interest	(42,842)	–	(42,842)
Net assets disposed of	350,438	139,750	490,188
Total consideration	616,612	303,111	919,723
Gain on disposal	266,174	163,361	429,535
Total consideration			
Satisfied by:			
Trade and other receivables, net (note 11)	616,612	303,111	919,723
Net cash flows arising on disposal:			
Cash and cash equivalents disposed of	(54,592)	(9,184)	(63,776)

As per the SPAs and earn out agreement, the Group is also entitled to earn out consideration in the form of additional fee for each additional load for which Tabreed contracts from these cooling operations. The deferred consideration will be settled in cash by the purchaser within thirty (30) business days of the service commencement date of each additional load for which it contracts under a cooling services agreement having longstop date of 16 January 2040. At 31 December 2020, the management assessed that the deferred consideration is a contingent asset as its existence will be confirmed by occurrence of future uncertain events not within the control of the Group and is accordingly not recognised as part of consideration.

There were no disposals of subsidiaries in 2019.

47 IMPACT OF COVID-19 PANDEMIC

The business outlook for 2021 may be impacted by significant risks and uncertainties caused by a diverse range of factors, some of which will be beyond the Group's control.

In this context, the Group highlights the COVID-19 pandemic, caused by the rapid global spread of the novel coronavirus, as being one such factor. Since the World Health Organization proclaimed this a global pandemic in March 2020, governments around the world, including in the United Arab Emirates, have responded to this outbreak with various temporary restrictions to help contain the spread of the virus and support measures to mitigate the adverse implications on communities and economies.

As it stands, the full impact remains unclear and will be determined by factors that continue to evolve, such as the success of support measures introduced by governments, the ability of businesses to manage their operations during these times and the timing and manner of the easing of restrictions, including lockdowns, social distancing and travel. Due to the unprecedented adverse effect of the lockdown on the global economy and some success in the efforts to flatten the infection curve, many countries started easing gradually the lock down restrictions starting May and June 2020. However, the lockdowns and travel restrictions is expected to have a continuous impact on the global economy.

As the effect of COVID-19 on businesses continues to evolve, there are potential risks and uncertainties on future business impact, the Group continues to update its plans accordingly.

The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations. The Group has announced support programmes for residential communities, schools, retail partners and home buyers totalling AED 190 million until 31 December 2020 in addition to various initiatives and measures to the wider community as part of Abu Dhabi's wider efforts to cushion the blow faced by the global economy due to the COVID-19 and in line with the Group commitment to long term sustainable value creation. The Group is continuously assessing the impact of COVID-19 on its operations particularly the effect on the retail, hospitality and leisure business operations.

Based on assessment of the COVID-19 impact on its business, the Group has assessed the impact of COVID-19 on its consolidated financial position and performance including the major judgments, estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and judgments as given in note 4.

In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 31 December 2020, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn borrowings and revolving credit facilities will be sufficient to satisfy its working capital needs, capital expenditures, debt repayments and other liquidity requirements associated with its existing operations.

The impact of COVID-19 continues to evolve, hence there are uncertainties and likely significant risks that may impact the business in future. The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business and make the necessary judgements and estimates as may be required.

48 EVENTS AFTER THE REPORTING PERIOD

48.1 On 25 October 2020, Abu Dhabi Development Holding Company PJSC ("ADQ") and the Company signed a Memorandum of Understating ("MoU") under which the Company or any of its subsidiary will take over development and management of certain capital projects for and on behalf of the Government of Abu Dhabi by acquiring a subsidiary of Modon Properties PJSC ("Modon"). As part of the MoU, the Company will also have management oversight of the projects carried out by Musanada. The Government of Abu Dhabi will continue to fund the projects and Aldar will earn management fees for development management services.

Subsequent to the reporting period, the Abu Dhabi Executive Council has approved a framework between Abu Dhabi Government and the Company for the development of capital projects as mentioned above in the Emirate of Abu Dhabi. Further, the Company signed an agreement with Modon and acquired 100% of the issued share capital of its wholly owned subsidiary, Aldar Projects LLC ("Aldar Projects"). Aldar Projects is limited liability company incorporated in the Emirate of Abu Dhabi. At the date of issuance of these consolidated financial statements, the initial acquisition accounting of this transaction is not complete and hence the disclosure information relating to the goodwill, acquired receivables, acquisition date assets acquired and liabilities assumed could not be made.

48.2 Subsequent to the reporting date, on 1 January 2021, Provis acquired 100% of the capital of Asteco Property Management LLC, a limited liability company ("Asteco") registered in Dubai, United Arab Emirates for a total consideration of AED 65,500 thousand. Asteco is mainly involved in property management and owners' association management services, leasing and assets management services and real estate sales, licensing, valuation and advisory services. Asteco UAE was acquired as part of plan of Provis to expand by acquiring existing entities in the related industry. Acquisition related costs amounted to AED 823 thousand. At the date of issuance of these consolidated financial statements, the initial acquisition accounting of this transaction is not complete and hence the disclosure information relating to the goodwill, acquired receivables, acquisition date assets acquired and liabilities assumed could not be made.

49 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2021.