ALDAR INVESTMENT PROPERTIES LLC

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

ALDAR INVESTMENT PROPERTIES LLC

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

Board of Directors' report
for the year ended 31 December 2019

The Directors present their report together with the audited consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

Principal activities

The principal activities of the Group are management of real estate assets including offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets.

Review of financial results

The financial results of the Group have been presented on page 7 of the consolidated financial statements.

Directors

Mr. Talal Al Dhiyebi	Chairman and Non-Executive Director
Mr. Jassem Saleh Busaibe	Chief Executive Officer
Mr. Gregory Howard Fewer	Non-Executive Director
Mr. Jahedur Rehman	Non-Executive Director

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2019.

for the Board of Directors

Talal Al Dhiyebi
Chairman
9 March 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC (continued)

Key Audit Matters (continued)

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

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment property portfolio amounted to AED 16,294 million as at 31 December 2019 (2018: AED 15,517 million) and the net fair value loss recorded in the consolidated income statement amounted to AED 175 million (2018: AED 670 million). The Group measures its investment properties at fair value. The determination of fair value of these investment properties is based on external valuations using income approach of valuation. In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognise a fair value adjustment in its consolidated income statement. The Group's undiscounted future cash flows analysis and the assessment of the expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future rental rates, capitalisation rates and discount rates. The valuation of the portfolio is a significant judgement area and is based on a number of assumptions. Fair value is determined based on level 3 valuation methodologies and it requires management to make significant estimates in determining the fair value of investment property. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. Refer to note 7 for disclosures relating to this matter.	We evaluated the design and implementation of controls in this area. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient. We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position. We tested the data provided to the valuer by the Group, on a sample basis. We involved our internal real estate valuation specialist to review selected properties valued by external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 *Fair Value Measurement*. Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. We checked the arithmetical accuracy of the determination of net fair value loss. We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC (continued)

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 May 2019.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC (continued)

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Board of Directors' Report is consistent with the books of account and records of the Group;
- Note 3.2 reflects the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2019;
- Note 21 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration No. 809
9 March 2020
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position at 31 December 2019

	Notes	2019 AED '000	2018 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,817,547	2,870,402
Intangible assets	6	168,198	175,577
Investment properties	7	16,294,268	15,516,830
Derivative financial instruments	17	-	8,481
Total non-current assets		19,280,013	18,571,290
Current assets			
Inventories	8	12,004	13,198
Trade and other receivables	9	503,171	415,016
Due from the ultimate parent	21	50,405	8,526
Cash and cash balances	10	1,128,483	246,242
Total current assets		1,694,063	682,982
Total assets		20,974,076	19,254,272
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1	1
Statutory reserve	12	-	-
Capital contributions	13	11,976,642	10,987,708
Cash flow hedging reserve	12	(35,441)	61,404
Retained earnings/(accumulated losses)		608,934	(67,780)
Equity attributable to the Owners of the Company		12,550,136	10,981,333
Non-controlling interests		68,407	68,528
Total equity		12,618,543	11,049,861
Non-current liabilities			
Non-convertible sukuk	14	3,628,113	1,810,140
Bank borrowings	15	1,892,774	2,287,713
Corporate loan from the Ultimate Parent	21	1,575,000	2,759,214
Lease liabilities	16	224,584	244,842
Derivative financial instruments	17	7,423	5,543
Total non-current liabilities		7,327,894	7,107,452
Current liabilities			
Non-convertible sukuk	14	36,377	21,811
Bank borrowings	15	8,907	10,370
Due to the Ultimate Parent	21	-	39,359
Lease liabilities	16	45,749	44,526
Advances and security deposits		210,586	216,437
Trade and other payables	18	726,020	764,456
Total current liabilities		1,027,639	1,096,959
Total liabilities		8,355,533	8,204,411
Total equity and liabilities		20,974,076	19,254,272

Talal Al Dhiyebi
Chairman

Jassem Saleh Busaibe
Chief Executive Officer

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

Consolidated income statement
for the year ended 31 December 2019

	Notes	2019 AED '000	2018 AED '000
Revenue	25	2,339,717	1,828,997
Direct costs	25	(910,772)	(640,389)
Gross profit		1,428,945	1,188,608
Management fee charged by the Ultimate Parent	21	(93,581)	(39,359)
Selling and marketing expenses		-	(3,673)
General and administrative expenses			
Staff costs	19	-	(26,333)
Depreciation and amortisation	5,6	(203,275)	(108,876)
Provisions and reversal of impairments	5,9	(12,890)	(16,577)
Others		-	(21,643)
Gain on disposal of investment properties	7	23,856	-
Fair value loss on investment properties, net	7	(174,903)	(670,077)
Finance income		8,564	45
Finance costs	20	(300,123)	(187,946)
Other income		-	14,472
Profit for the year		676,593	128,641
Profit for the year attributable to:			
Owners of the Company		676,714	128,641
Non-controlling interests		(121)	-
		676,593	128,641

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

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 AED '000	2018 AED '000
Profit for the year		**676,593**	128,641
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain arising on hedging instruments during the year classified under cash flow hedges	**17**	**(87,484)**	67,152
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition	**17**	**(9,361)**	-
Other comprehensive (loss)/income for the year		**(96,845)**	67,152
Total comprehensive income for the year		**579,748**	195,793
Total comprehensive income for the year attributable to:			
Owners of the Company		**579,869**	195,793
Non-controlling interests		**(121)**	-
		579,748	195,793

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

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

	Share capital AED'000	Statutory reserve AED'000	Net investment by the Ultimate Parent AED'000	Capital contributions AED'000	Cash flow hedging reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Equity attributable to the Owners of the Company AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2018	-	-	10,197,130	-	(5,748)	-	10,191,382	-	10,191,382
Introduction of share capital	1	-	-	-	-	-	1	-	1
Profit for the year	-	-	196,421	-	-	(67,780)	128,641	-	128,641
Other comprehensive income for the year	-	-	-	-	67,152	-	67,152	-	67,152
Acquisition of non-controlling interests (note 29)	-	-	-	-	-	-	-	68,528	68,528
Net movement during the year	-	-	198,353	395,804	-	-	594,157	-	594,157
Transfer during the year (note 3.1)	-	-	(10,591,904)	10,591,904	-	-	-	-	-
Balance at 31 December 2018	1	-	-	10,987,708	61,404	(67,780)	10,981,333	68,528	11,049,861
Balance at 1 January 2019	1	-	-	10,987,708	61,404	(67,780)	10,981,333	68,528	11,049,861
Profit for the year	-	-	-	-	-	676,714	676,714	(121)	676,593
Other comprehensive loss for the year	-	-	-	-	(96,845)	-	(96,845)	-	(96,845)
Net movement during the year (note 13)	-	-	-	988,934	-	-	988,934	-	988,934
Balance at 31 December 2019	**1**	**-**	**-**	**11,976,642**	**(35,441)**	**608,934**	**12,550,136**	**68,407**	**12,618,543**

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

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

	Notes	2019 AED '000	2018 AED '000
Operating activities			
Profit for the year		**676,593**	128,641
Adjustments for:			
Depreciation and amortisation	**5,6**	**203,275**	108,876
Finance costs		**289,903**	179,312
Amortisation of prepaid finance costs		**9,878**	8,634
Finance income		**(8,564)**	-
Fair value loss on investment properties, net	**7**	**174,903**	670,077
Provisions for expected credit loss against trade receivables, net	**9**	**59,716**	45,993
Reversal of impairment on property, plant and equipment, net	**5**	**(46,826)**	(29,416)
Gain on disposal of investment properties		**(23,856)**	-
Provision for employees' end of service benefits		-	1,807
Operating cash flows before movement in working capital		**1,335,022**	1,113,924
Movement in working capital:			
Increase in trade and other receivables		**(92,315)**	(183,621)
Decrease/(increase) in inventories		**1,194**	(5,662)
Increase in lease liabilities		**7,662**	74,290
(Decrease)/increase in balance with the Ultimate Parent		**(89,763)**	39,359
(Decrease)/increase in advances and security deposits		**(5,850)**	22,768
(Decrease)/increase in trade and other payables		**(39,654)**	83,566
Cash generated from operating activities		**1,116,296**	1,144,624
Employees' end of service benefits paid		**-**	(1,501)
Net cash generated from operating activities		**1,116,296**	1,143,123

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

	Notes	2019 AED '000	2018 AED '000
Investing activities			
Payment for purchases of property, plant and equipment	**5**	**(94,920)**	(33,638)
Payments for purchases of intangible assets	**6**	**(1,295)**	(834)
Additions to investment properties		**(60,216)**	(208,152)
Acquisition of cash and cash equivalents		**20,700**	-
Proceeds from sale of investment properties		**294,936**	-
Finance income received		**8,564**	-
Increase in term deposits with original maturities greater than three months		**(70,000)**	-
Movement in restricted balances		**(40)**	-
Net cash form/(used in) investing activities		**97,729**	(242,624)
Financing activities			
Share capital introduced		-	1
Repayments of lease liabilities		**(37,243)**	(30,732)
Settlement of interest rate swaps		**(77,121)**	58,466
Proceeds from bank borrowings and sukuk		**1,836,750**	3,136,750
Proceeds from corporate loan from the Ultimate Parent		**-**	2,759,214
Repayments of corporate loan from the Ultimate Parent		**(1,425,000)**	-
Repayments of bank borrowings and sukuk		**(400,000)**	(4,407,514)
Finance costs paid		**(299,210)**	(154,693)
Movement in net investment by the Ultimate Parent		-	198,353
Net movement in capital contributions		-	(2,394,186)
Net cash used in financing activities		**(401,824)**	(834,341)
Net increase in cash and cash equivalents		**812,201**	66,158
Cash and cash equivalents at beginning of the year		**246,242**	180,084
Cash and cash equivalents at end of the year	**10**	**1,058,443**	246,242

Refer to note 26 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 2019

1 General information

Aldar Investment Properties LLC (the "Company") is a limited liability company incorporated in accordance with the UAE Federal Law No. (2) of 2015. The Company is owned by Aldar Investment Holding Restricted Limited (the "Parent Company"), a restricted scope company incorporated in Abu Dhabi Global Market. Aldar Properties PJSC, a company incorporated in Abu Dhabi, UAE and listed in Abu Dhabi Securities Exchange, is the "Ultimate Parent" of the Company.

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

The Company and its subsidiaries (together referred to as the "Group") are involved in management of real estate assets including offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets, which are the principal activities of the Group.

2 Adoption of new and revised International Financial Reporting Standards ("IFRSs")

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

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

<u>IFRIC 23 *Uncertainty over Income Tax Treatments*</u>

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

This Interpretation does not have any impact on the Group's consolidated financial statements.

<u>*Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation*</u>

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment does not have any impact on the Group's consolidated financial statements.

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)

Amendment to IAS 19 Employee Benefits relating to amendment, curtailment or settlement of a defined benefit plan

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; and
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

This amendment does not have any impact on the Group's consolidated financial statements.

Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

The amendment clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This amendment does not have any impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that the requirements in paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of these amendments did not have a material impact on the consolidated financial statements of the Group.

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

2 Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amended IFRSs 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:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
Amendments to IAS 1 and IAS 8 relating to *Definition of Material* The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) The amendments in *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

2 Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

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

Except the amendments to Interest rate Benchmark Reform, management does not expect that the adoption of the above amendments in the future will have a material impact on the Group's consolidated financial statements. Management is in the process of determining the impact of these amendments on the Group's consolidated financial statements.

3 Summary of significant accounting policies

3.1 Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) and applicable provisions of the U.A.E. Federal Law No. (2) of 2015. These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and measurement of derivative financial instruments 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.

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

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

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

3 Summary of significant accounting policies (continued)

3.1 Statement of compliance and basis of preparation (continued)

Financial results and cash flows for the period ended 31 December 2018

As disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2018, transfer of Aldar Asset Management Business to the Company by the Ultimate Parent represented transfer of business under common control and management applied the pooling of interests method of accounting. Accordingly, the financial results and cash flows for the year ended 31 December 2018 include, until the transfer date, the operations of Aldar Asset Management Business which were transferred to the Company in accordance with an asset transfer agreement entered into between the Ultimate Parent and the Company.

As the Aldar Asset Management Business did not comprise a separate legal entity, therefore, share capital or an analysis of reserves or components of other comprehensive income, other than cash flow hedging reserves which is separately identifiable have not been presented in the consolidated statement of changes in equity as of 1 January 2018. "Net investment by the Ultimate Parent" in the comparative period represents a combination of the overall receivables and payables with the Ultimate Parent, funding balances with the Ultimate Parent and investment by the Ultimate Parent in the Aldar Asset Management Business, which cannot be separately identified or allocated. Subsequent to the transfer of the Aldar Asset Management Business to the Company, the balance amounting to AED 10,592 million representing the contribution/funding by the Ultimate Parent was transferred to "Capital contributions".

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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 Company 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.

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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 the consolidated income statement 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.

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

Details of the Company significant subsidiaries are given below:

Name of subsidiary	Ownership interest 2019	2018	Country of incorporation	Principal activity
Yas Links LLC	**100%**	100%	UAE	Ownership and management of golf courses and golf clubs
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Management of accommodation village
Saadiyat Cooling LLC	**85%**	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC	**100%**	100%	UAE	Cooling station operations
Aldar Sukuk Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 2) Ltd. (i)	**100%**	-	Cayman Islands	Funding company

(i) The entity was incorporated by the Group in 2019.

3.3 Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

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

Goodwill is not amortised but is reviewed for impairment at least annually. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree 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 income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to income statement 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.

Transactions involving entities under common control

Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method. For transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets 'acquired' is reflected as "capital contributions" within equity.

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

Transactions involving entities under common control (continued)

A number of factors are considered in evaluating whether the transaction has substance including the following:

- the purpose of transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transactions are conducted at fair values;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a “reporting entity” that did not exist before.

3.4 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.

3.5 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.

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

3 Summary of significant accounting policies (continued)

3.5 Revenue recognition (continued)

The Group recognises revenue from the following major sources:

- Service charges and expenses recoverable from tenant
- Hospitality revenue
- Income from leisure businesses
- Revenue from cooling assets

Rental income is recognised in line with the requirements of IFRS 16 *Leases*.

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.

<u>Service charges and expenses recoverable from tenant</u>

Income arising from cost recharged to tenants is recognised in the period in which the cost can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

3 Summary of significant accounting policies (continued)

3.5 Revenue recognition (continued)

Hospitality revenue

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

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.

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.

3.6 Leases

The Group had early adopted IFRS 16 “Leases” with effect from the date of its incorporation of the Company. Previously, IFRS 16 was early adopted by the Aldar Asset Management Business effective 1 January 2016.

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.

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

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

The Group as lessee (continued)

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.

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

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

The Group as lessee (continued)

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 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.

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.

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

The Group as lessor

The Group enters into lease arrangements as a lessor with respect to some of 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.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts 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.

3.7 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.

3.8 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in income statement in the period during which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 Summary of significant accounting policies (continued)

3.9 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 the consolidated income statement 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-used 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 the consolidated income statement when the asset is derecognised.

3.10 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.

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

3 Summary of significant accounting policies (continued)

3.11 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 the consolidated income statement 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.

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 the consolidated income statement in the period of derecognition.

3.12 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.

3.13 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 are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at 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 the income statement 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 the consolidated income statement.

3 Summary of significant accounting policies (continued)

3.13 Intangible assets (continued)

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. 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 23 years.

3.14 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

3 Summary of significant accounting policies (continued)

3.14 Impairment of non-financial assets (continued)

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.

3.15 Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management policy.

3.16 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 the income statement 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.

3 Summary of significant accounting policies (continued)

3.17 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)

3.17 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 the consolidated income statement. 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).

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Financial liabilities (continued)

Embedded derivatives (continued)

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.

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

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;
- 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)

3.17 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.

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

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.

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Hedging arrangements (continued)

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 the consolidated income statement 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 the consolidated income statement 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 the consolidated income statement. 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.

Critical judgment in applying 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.

Discount rate used for initial measurement of lease liability

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

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 and/or property, plant and equipment. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property and property, plant and equipment. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 16 and IAS 40, and in particular, the intended usage of property as determined by management.

Assessment of business combination under common control

On 31 December 2018, the Group signed sale and purchase agreement and assignment agreement with the Ultimate Parent in respect of certain businesses (as defined under IFRS 3 *Business Combinations*) and assets. The transfers of businesses constituted common control transactions since the businesses were ultimately controlled by the Ultimate Parent before and after the combination, and that control was not transitory. The Group assessed that the transaction has substance because:

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

Critical judgment in applying accounting policies (continued)

<u>Assessment of business combination under common control (continued)</u>

- There is business purpose for the transactions. The transfer of businesses was part of overall strategy to create the asset management holding company which can issue listed debt and potential future divestment opportunities;
- The transfers were conducted at fair values; and
- The Company was established in connection with the plan to seek new investors to invest in the Company.

Accordingly, in line with the Group's accounting policy in respect of transactions involving entities under common control, the business combinations were accounted for under acquisition method of accounting (note 29).

<u>Classification of capital contributions</u>

In determining whether the Capital Contributions is financial liability or an equity instrument, management has considered the detailed criteria set out in IAS 32 Financial Instruments: Presentation and Disclosure. The Capital Contributions are interest free and without any formal repayment plans. Further, the Ultimate Parent has confirmed that these balances would not be withdrawn in a manner prejudicial to the interests of the Company, are payable at the discretion of the Company and would be available to the Company for its long term working capital and operations. Accordingly, the Capital Contributions have characteristics of equity and classified them under equity in the consolidated financial statements.

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:

<u>Calculation of loss allowance</u>

The Group assesses the impairment of its financial assets based on the 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.

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

Key sources of estimation uncertainty (continued)

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 existing operating assets 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	5.5 – 12.2

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 discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

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.

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

5 Property, plant and equipment

	Land and buildings AED '000	Furniture and fixtures AED '000	Plant and machinery AED '000	Office equipment AED '000	Computers AED '000	Motor vehicles AED '000	Leasehold improvements AED '000	Labour camps AED '000	Capital work in progress AED '000	Total AED '000
Cost										
At 1 January 2018	4,888,844	374,967	-	28,508	34,643	1,427	2,527	-	25,527	5,356,443
Additions	350,827	10,450	400,509	14,059	8,322	886	46,153	24,949	25,067	881,222
Transfers to investment properties (note 7)	(6,532)	-	-	-	-	-	-	-	(18,329)	(24,861)
At 1 January 2019	5,233,139	385,417	400,509	42,567	42,965	2,313	48,680	24,949	32,265	6,212,804
Additions	28,622	15,080	-	7,010	8,162	3,274	-	2,211	30,561	94,920
Disposals	-	(1,003)	-	(2,325)	-	-	-	-	-	(3,328)
At 31 December 2019	**5,261,761**	**399,494**	**400,509**	**47,252**	**51,127**	**5,587**	**48,680**	**27,160**	**62,826**	**6,304,396**
Accumulated depreciation and impairment losses										
At 1 January 2018	2,853,843	345,058	-	27,382	33,204	1,393	2,527	-	-	3,263,407
Charge for the year	94,597	9,750	-	2,303	1,701	60	-	-	-	108,411
Reversal of impairment	(29,416)	-	-	-	-	-	-	-	-	(29,416)
At 1 January 2019	2,919,024	354,808	-	29,685	34,905	1,453	2,527	-	-	3,342,402
Charge for the year	126,200	11,298	27,707	9,367	5,271	838	10,984	2,936	-	194,601
Reversal of impairment	(46,826)	-	-	-	-	-	-	-	-	(46,826)
Disposals	-	(1,003)	-	(2,325)	-	-	-	-	-	(3,328)
At 31 December 2019	**2,998,398**	**365,103**	**27,707**	**36,727**	**40,176**	**2,291**	**13,511**	**2,936**	**-**	**3,486,849**
Carrying amount										
31 December 2019	**2,263,363**	**34,391**	**372,802**	**10,525**	**10,951**	**3,296**	**35,169**	**24,224**	**62,826**	**2,817,547**
At 31 December 2018	2,314,115	30,609	400,509	12,882	8,060	860	46,153	24,949	32,265	2,870,402

All of the property, plant and equipment are located in the United Arab Emirates. Refer note 29 for adjustments made to the comparative information as of 31 December 2018.

The legal titles of certain property, plant and equipment are currently in the name of the Ultimate Parent. The legal formalities are in process to transfer these titles, however in such cases the economic interest has been irrevocably transferred to the Group.

5 Property, plant and equipment (continued)

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.

Certain property, plant and equipment are pledged as security against bank borrowings as disclosed under note 15.

During the year, the Group carried out a review of recoverable amount of its property, plant and equipment. The review led to reversal of impairment of AED 46,826 thousand (2018: impairment of AED 29,416 thousand), which has been recorded in the consolidated income statement. The reversal of impairment mainly relates to improved cash flows and profitability resulting from the rebranding, franchise switch and improved market conditions. The recoverable value of relevant assets 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 7.3% to 9.0% (2018: 7.0% to 9.0%) and a discount rate of 10.01% to 16.0% (2018: 10.25% to 15.0%).

The Group conducted a sensitivity analysis for all its hotel properties classified under property, plant and equipment. The sensitivity has been conducted on the Revenue Per Available Room (RevPAR), and discount rate and exit yield. Based on this sensitivity analysis*:*

- a decrease in the discount rates and exit yields by 50bps would result in AED 142,370 thousand or 6.1% increase in the recoverable value, whilst an increase in the discount rates and exit yields by 50bps would result in AED 127,170 thousand or 5.4% decrease in the recoverable value; and
- an increase in the RevPAR by 10% would result in AED 266,710 thousand or 11.4% increase in the recoverable value, whilst a decrease in the RevPAR by 10% would result in a similar decrease in the recoverable value.

6 Intangible assets

	Customer contracts AED '000	Computer software AED '000	Total AED '000
Cost			
At 1 January 2018	-	2,604	2,604
Additions	174,420	840	175,260
At 1 January 2019	174,420	3,444	177,864
Additions	-	1,295	1,295
At 31 December 2019	**174,420**	**4,739**	**179,159**
Accumulated amortisation			
At 1 January 2018	-	1,822	1,822
Charge for the year	-	465	465
At 1 January 2019	-	2,287	2,287
Charge for the year	8,055	619	8,674
At 31 December 2019	**8,055**	**2,906**	**10,961**
Carrying amount			
31 December 2019	**166,365**	**1,833**	**168,198**
At 31 December 2018	174,420	1,157	175,577

Refer note 29 for the adjustment made to the comparative information as at 31 December 2018.

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

7 Investment properties

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

	2019			2018		
	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	**15,122,863**	**393,967**	**15,516,830**	13,885,913	212,048	14,097,961
Addition during the year	**1,171,697**	**51,724**	**1,223,421**	1,798,621	181,919	1,980,540
Disposals	**(271,080)**	**-**	**(271,080)**	-	-	-
Transfer to completed properties	**445,691**	**(445,691)**	**-**	-	-	-
Transfer from property, plant and equipment (note 5)	**-**	**-**	**-**	24,861	-	24,861
Transfer from inventories	**-**	**-**	**-**	83,545	-	83,545
Fair value loss, net	**(174,903)**	**-**	**(174,903)**	(670,077)	-	(670,077)
Balance at the end of the year	**16,294,268**	**-**	**16,294,268**	15,122,863	393,967	15,516,830

All investment properties are located in the United Arab Emirates.

During the year, the Group sold investment properties and realised net gain of AED 23,856 thousand (2018: nil).

Investment properties include right-of-use assets with respect to leases of plots of land of AED 300,238 thousand (2018: AED 293,801 thousand). The average lease term is 25 years. During the year, due to change in the scope of a lease agreement, the Group recorded additional right-of-use asset amounting to AED 7,662 thousand (2018: nil). There are no extension or termination options on these leases.

Additions during the year include transfers of investment properties by the Ultimate Parent amounting to AED 1,111,480 thousand (2018: AED 1,772,388 thousand).

The fair values of the investment properties are arrived at on the basis of a valuation carried out by independent valuers not connected to 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. The valuations were mainly determined by using the income capitalisation method. The valuations were conducted as at 31 October 2019 and as per management assessment, there were no significant changes to the fair values of these investment properties from the date of valuation to 31 December 2019. Refer to note 4 for the key assumptions used.

The Group conducted a sensitivity analysis for thirteen largest assets in its investment property portfolio with an aggregate value of 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 1,030,148 thousand or 7.6% increase in the valuation, whilst an increase in the capitalisation rates by 50bps would result in AED 833,480 thousand 6.2% decrease in the valuation; and
- an increase in the rental rates by 10% would result in an AED 1,515,658 thousand or 11.2% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,450,701 thousand or 10.7% decrease in the valuation.

7 Investment properties (continued)

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 investment properties are categorised under Level 3 in the fair value hierarchy.

Certain investment properties are pledged as security against bank borrowings as disclosed under note 15.

The legal titles of certain investment properties are currently in the name of the Ultimate parent. The legal formalities are in process to transfer these titles, however in such cases, the economic interest has been irrevocably transferred to the Group.

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,560,276 thousand (2018: AED 1,355,137 thousand). Direct operating cost relating to these properties amounted to AED 301,073 thousand (2018: AED 268,054 thousand).

8 Inventories

	2019 **AED'000**	2018 AED'000
Operating inventories	**12,004**	13,198

Operating inventories represent inventories relating to the hospitality and leisure segment.

9 Trade and other receivables

	2019 **AED'000**	2018 AED'000
Trade receivables	**490,903**	454,217
Less: allowance for expected credit loss	**(128,861)**	(178,446)
	362,042	275,771
Advances and prepayments	**72,754**	66,410
Accrued income	**51,983**	22,015
Other receivables	**16,392**	50,820
	503,171	415,016

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

9 Trade and other receivables (continued)

As at 31 December 2019, 29% of the trade receivables (2018: 30% of the trade receivables) are due from its top five customers.

	2019 **AED'000**	2018 AED'000
Ageing of trade receivables		
The ageing of non-impaired receivables is as follows:		
Not past due	**253,391**	185,778
Past due (up to 180 days)	**43,779**	67,070
Past due (more than 180 days)	**64,872**	22,923
	362,042	275,771

Movement during the year in allowance of expected credit loss:

	2019 **AED'000**	2018 AED'000
Balance at 1 January	**178,446**	37,527
Acquired with assets transferred	**-**	122,211
Charge for the year	**59,716**	45,993
Write off of provision, net	**(109,301)**	(27,285)
Balance at 31 December	**128,861**	178,446

The Group recognises lifetime expected credit loss ("ECL") for trade and other receivables using the simplified approach.

10 Cash and cash equivalents

	2019 AED '000	2018 AED '000
Cash and bank balances	**348,145**	246,242
Short term deposits held with banks	**780,338**	-
Cash and bank balances	**1,128,483**	246,242
Short term deposits with original maturities greater than three months	**(70,000)**	-
Restricted bank balances	**(40)**	-
Cash and cash equivalents	**1,058,443**	246,242

As at 31 December 2019, certain bank accounts are in the name of the Ultimate Parent.

The interest rate on term deposits ranges from 2.22 to 2.50% (2018: nil) per annum.

All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

11 Share capital

Share capital comprises 1,000 (2018: 1,000) authorised, issued and fully paid shares of AED 1 each.

12 Reserves

Statutory reserve

In accordance with Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, 10% of the net profit of the Company are transferred to 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 reserve reached 50% of the paid-up capital, the Company has suspended further transfer.

Cash flow hedging reserve

This represent 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.

13 Capital contributions

	2019 AED'000	2018 AED'000
At 1 January	**10,987,708**	-
Net investment by the Ultimate Parent	-	10,591,904
Net movement during the year (i)	**988,934**	395,804
31 December	**11,976,642**	10,987,708

Capital contributions mainly represent the net contribution/funding made by the Ultimate Parent as a result of transfer of the Asset Management Business to the Group and transfer of properties. The amount is payable at the discretion of the Group and classified under equity.

(i) Net movement during the year mainly represents transfer of certain property assets and related working capital offset by corporate loan from the Ultimate Parent to the Group (note 21).

14 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.

	2019 AED '000	2018 AED '000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(26,319)**	(26,610)
Accrued profit	**22,538**	21,811
Carrying amount	**1,832,969**	1,831,951
Less: current portion	**(22,538)**	(21,811)
Non-current portion	**1,810,431**	1,810,140

14 Non-convertible sukuk (continued)

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.

	2019 AED '000	2018 AED '000
Proceeds from issue	**1,836,750**	-
Unamortised issue costs	**(19,068)**	-
Accrued profit	**13,839**	-
Carrying amount	**1,831,521**	-
Less: current portion	**(13,839)**	-
Non-current portion	**1,817,682**	-
Total Non-convertible sukuk		
Non-current portion	**3,628,113**	1,810,140
Current portion	**36,377**	21,811

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

15 Bank borrowings

	Outstanding amount						
	Current	**Non-current**	**Total**	**Security**	**Interest rate**	**Maturity**	**Purpose**
	AED'000	**AED'000**	**AED'000**				
31 December 2019:							
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 transaction costs	-	**(7,226)**	**(7,226)**				
Accrual for interest and profit	**8,907**	-	**8,907**				
	8,907	**1,892,774**	**1,901,681**				
31 December 2018:							
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 + 1.80%	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
Term loan	-	400,000	400,000	Secured	relevant EIBOR + 2.12%	August 2026	General corporate purpose
Unamortised transaction costs	-	(12,287)	(12,287)				
Accrual for interest and profit	10,370	-	10,370				
	10,370	2,287,713	2,298,083				

Certain bank borrowings are secured in the form of mortgage over operating assets (AED 2,913,377 thousand) and carry a net worth covenant.

The Group early repaid term loan due to mature in August 2026 amounting to AED 400,000 thousand (2018: AED 1,652,389 thousand).

16 Lease liabilities

	2019 AED'000	2018 AED'000
Year 1	**51,651**	47,486
Year 2	**30,315**	33,474
Year 3	**30,342**	27,491
Year 4	**31,771**	27,508
Year 5	**31,801**	28,575
Onwards	**228,489**	253,505
Balance at the end of the year	**404,369**	418,039
Less: unearned interest	**(134,036)**	(128,671)
	270,333	289,368
Non-current	**224,584**	244,842
Current	**45,749**	44,526

17 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 183,675 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 2019		31 December 2018	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial assets – interest rate swaps	**-**	**Level 2**	8,481	Level 2
Derivative financial liabilities – interest rate swaps	**7,423**	**Level 2**	5,543	Level 2

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

17 Derivative financial instruments (continued)

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.

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

Maturity profile	**Average contracted fixed interest rate**		**Notional amount**		**Carrying amount of the hedging instrument (liability)/asset, net**	
	2019	2018	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
2 to 5 years	**2.73%**	2.73%	**183,675**	2,111,396	**(7,423)**	2,938

During the year, the Group terminated interest rate swap contracts with the notional amount of USD 250 million (AED 918 million) and restructured interest rate swap contracts with the notional amount of USD 300 million (AED 1,102 million).

Movement in the cash flow hedging reserve was as follow:

	2019 AED'000
Balance at the beginning of the year	**61,404**
Cumulative fair value loss arising on hedging instruments during the year classified under cash flow hedges	**(87,484)**
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition (note 20)	**(9,361)**
Balance at the end of the year	**(35,441)**

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

18 Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	**84,985**	102,823
Deferred income	**138,963**	153,296
Retention payable	**49,020**	57,296
Accruals	**321,103**	327,359
Other payables	**131,949**	123,682
	726,020	764,456

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

19 Staff costs

The Group does not have any employees. The overheads (staff costs and others in general and administrative expenses and selling and marketing expenses) for the six months period from 1 January 2018 to 30 June 2018 is based on carved out/allocated figures of the Aldar Asset Management Business. From 1 July 2018 onwards these services were provided by the Ultimate Parent under the terms of the assets management and services agreement (note 21) for which they were compensated through a management fee.

20 Finance costs

	2019 AED'000	2018 AED'000
Finance costs on bank borrowings, non-convertible sukuk and corporate loan from the Ultimate Parent (i)	**280,215**	178,730
Unwinding of finance cost on operating lease liabilities (note 22)	**10,547**	9,216
	290,762	187,946
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition (note 17)	**9,361**	-
	300,123	187,946

Finance costs increased in 2019 primarily due to additional borrowings as a result of new assets acquired during the year and end of 2018 being initially funded fully with equity for Q3 2018.

21 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 Parent, Ultimate Parent, associated companies, directors, key management personnel of the Ultimate Parent and their related entities. The terms of related party transactions are approved by the Group's Board of Directors. The Government of Abu Dhabi is an indirect major shareholder of the Ultimate Parent. The balances and transactions disclosed below with reference to the Government of Abu Dhabi also include the entities controlled by the Government of Abu Dhabi.

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

21 Transactions and balances with related parties (continued)

Related party balances:

	2019 AED'000	2018 AED'000
Ultimate Parent		
Corporate loan from Ultimate Parent	**1,575,000**	2,759,214
Due to the Ultimate Parent	**-**	39,359
Due from the Ultimate Parent (i)	**50,405**	8,526
Other related parties (ii)		
Trade and other receivables	**20,951**	3,683
Trade and other payables	**1,864**	1,264
Government of Abu Dhabi:		
Trade and other receivables	**43,346**	79,011

(i) This represent surplus cash which is swept periodically and will be settled at the time a dividend is declared.

(ii) Other related parties represent subsidiaries of the Ultimate Parent.

Outstanding bank borrowings amounting to AED 894,551 thousand (2018: AED 1,293,346 thousand) are due to banks ultimately controlled by the Government of Abu Dhabi. Finance cost on these bank borrowings amounted to AED 56,318 thousand (31 December 2018: AED 45,953 thousand).

Deposits and bank balances amounting to AED 304,984 thousand (2018: AED 199,970 thousand) are kept with banks ultimately controlled by the Government of Abu Dhabi. Finance income on these deposits amounted to AED 7,921 thousand (2018: AED 45 thousand).

Under the Facility Agreement executed on 2 September 2018, the Ultimate Parent has provided a corporate loan facility of AED 3,000,000 thousand with a termination date at 7 years from the date of utilisation. The loan carries interest at 1% plus 3 month EIBOR. The balance as at 31 December 2019, represents the amount utilised by the Group under the Facility. The facility has been utilised to adjust the capital contributions by the Ultimate Parent.

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

21 Transactions and balances with related parties (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision have been made for doubtful debts in respect of the amounts owned by related parties.

Significant transactions with related parties during the year are as follows:

	2019 AED'000	2018 AED'000
Ultimate Parent		
Revenue	**8,620**	4,926
Finance costs	**96,988**	21,588
Management fee (i)	**93,581**	39,359
General and administrative expenses - overheads allocated	**-**	34,918
Other related parties (ii)		
Revenue	**29,743**	21,307
Direct costs	**20,552**	18,233
Government of Abu Dhabi		
Revenue	**345,198**	144,472

(i) In 2018, the Parent Company, Aldar Investment Holding Restricted Limited, entered into an Asset Management and Services Agreement (the "Management Fee Agreement") with the Ultimate Parent whereby the Ultimate Parent Company was appointed to provide asset management and other services for ongoing management of the properties of the Group. Consequently, the Company pays an annual management fees of 0.5% of gross asset value of the properties for the financial year as per the terms of the Management Fee Agreement.

(ii) Other related parties represent subsidiaries of the Ultimate Parent.

During the year, the Ultimate Parent transferred properties and its related working capital with a net value of AED 1,229,720 thousand (2018: properties, its related working capital and businesses with a net value of AED 2,794,241 thousand). These were recorded against the capital contributions from the Ultimate Parent (note 13).

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

22 Operating lease commitments

The Group has leased out certain properties. The amounts of committed future lease inflows are as follows:

The Group as lessor

	2019 AED'000	2018 AED'000
Within one year	**704,262**	630,514
In the second to fifth year	**1,748,362**	1,116,588
After five years	**1,424,734**	495,725
	3,877,358	2,242,827

The Group as lessee

	2019 AED'000	2018 AED'000
Unwinding of interest expense during the year on lease liabilities (note 16 & 20)	**10,547**	9,216
Total cash outflow in respect of leases	**37,243**	30,732

23 Financial instruments

23.1 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.

23.2 Categories of financial instruments

	2019 AED'000	2018 AED'000
Financial assets		
Financial assets measured at amortised cost	**1,558,899**	581,361
Due from the ultimate parent	**50,405**	8,526
Derivative financial instruments	**-**	8,481
Financial liabilities		
Financial liabilities measured at amortised cost	**8,206,854**	7,440,605
Due to the ultimate parent	**-**	39,359
Derivative financial instruments	**7,423**	5,543

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

23 Financial instruments (continued)

23.3 Financial risk management

The Ultimate Parent's Corporate Finance and Treasury function provides services to the Group, coordinates access to domestic and international financial markets, monitors and manages financial risks based on internally developed models, benchmarks and forecasts. 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.

23.4 Capital management

The Group manages its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

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

The Group monitors and adjusts its capital structure 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 2019, the weighted average cost of debt was 3.63% (2018: 3.99%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created. The Group has a policy of maintaining gross debt as a percentage of the revenue producing asset portfolio value of between 35% and 40%.

The covenants of three (2018: four) borrowing arrangements require the Group maintaining a minimum tangible net worth of AED 4 billion.

23.5 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.

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

23 Financial instruments (continued)

23.5 Market risk management (continued)

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 Dollar. 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 Dirham in the Group consolidated financial statements at the end of each reporting period.
.
There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar.

b) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrow 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, by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in notes 10, 14 and 15.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and 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 2019 would increase/decrease by AED 47,168 thousand (2018: increase/decrease by AED 23,259 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.

23 Financial instruments (continued)

23.6 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.

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 9.

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.

23.7 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.

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

23 Financial instruments (continued)

23.7 Liquidity risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted maturities.

	<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 2019						
Financial liabilities						
Non-interest bearing instruments	**7,674**	**456,514**	**122,868**	**-**	**-**	**587,056**
Non-convertible sukuk	**-**	**22,538**	**13,839**	**-**	**3,673,500**	**3,709,877**
Variable interest rate instruments	**3,752**	**5,155**	**-**	**1,900,000**	**1,575,000**	**3,483,907**
Operating lease liabilities	**24,324**	**2,692**	**18,733**	**224,584**	**-**	**270,333**
Derivative financial instruments	**-**	**-**	**-**	**7,423**	**-**	**7,423**
Total	**35,750**	**486,899**	**155,440**	**2,132,007**	**5,248,500**	**8,058,596**
31 December 2018						
Financial liabilities						
Non-interest bearing instruments	20,717	263,085	-	-	-	283,802
Non-convertible sukuk	-	-	17,813	95,000	1,873,514	1,986,327
Variable interest rate instruments	9,703	17,676	53,429	4,915,561	453,290	5,449,659
Operating lease liabilities	30,247	6,560	7,719	100,027	144,815	289,368
Derivative financial instruments	-	-	-	5,543	-	5,543
Total	60,667	287,321	78,961	5,116,131	2,471,619	8,014,699

24 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.

	2019		2018	
	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 14)	**1,832,969**	**1,989,274**	1,831,951	1,839,285
Sukuk No.2 (note 14)	**1,831,521**	**1,887,555**	**-**	**-**

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

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

25 Segment information

25.1 Operating segments

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

31 December 2019

	Investment properties AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Total AED'000
Revenue from external customers				
- Over a period of time	-	352,513	90,573	**443,086**
- At a point in time	-	321,355	-	**321,355**
- Leasing	1,575,276	-	-	**1,575,276**
Gross revenue (i)	1,575,276	673,868	90,573	**2,339,717**
Cost of revenue excluding service charge	(197,692)	(552,448)	(49,637)	**(799,777)**
Service charge expenses	(110,995)	-	-	**(110,995)**
Gross profit	1,266,589	121,420	40,936	**1,428,945**
Depreciation and amortisation	(2,936)	(159,606)	(40,733)	**(203,275)**
Provisions, impairments and write-downs, net	(59,716)	46,827	-	**(12,889)**
Fair value loss on investment properties, net	(174,903)	-	-	**(174,903)**
Gain on disposal of investment properties	23,856	-	-	**23,856**
Segment profit	1,052,890	8,641	203	**1,061,734**
Finance costs				**(300,123)**
Finance income				**8,564**
Management fee by Ultimate Parent				**(93,582)**
Profit for the year				**676,593**

(i) Gross revenue of investment properties include AED 110,995 thousand of revenue from service charges.

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

25 Segment information (continued)

25.1 Operating segments (continued)

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

31 December 2018

	Investment properties AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Total AED'000
Revenue from external customers				
- Over a period of time	-	257,987	-	257,987
- At a point in time	-	192,853	-	192,853
- Leasing	1,378,157	-	-	1,378,157
Gross revenue (ii)	1,378,157	450,840	-	1,828,997
Cost of revenue excluding service charge	(169,210)	(364,483)	-	(533,693)
Service charge expenses	(106,696)	-	-	(106,696)
Gross profit	1,102,251	86,357	-	1,188,608
Depreciation and amortisation	(450)	(108,426)	-	(108,876)
Provisions, impairments and write-downs, net	(45,993)	29,416	-	(16,577)
Fair value loss on investment properties, net	(670,077)	-	-	(670,077)
Other income	14,472	-	-	14,472
Segment profit	400,203	7,347	-	407,550
Selling and marketing expenses				(3,673)
General and administrative expense				(47,976)
Finance costs				(187,946)
Management fee by Ultimate Parent				(39,359)
Finance income				45
Profit for the year				128,641

(ii) Gross revenue of investment properties include AED 106,696 thousand of revenue from service charges.

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

25 Segment information (continued)

25.1 Business segments (continued)

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

	Investment properties AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2019					
Assets	**17,517,989**	**2,685,801**	**719,865**	**50,421**	**20,974,076**
Liabilities	**6,951,844**	**1,120,546**	**283,143**	**-**	**8,355,533**
Capital expenditures	**-**	**94,377**	**1,838**	**-**	**96,215**
Project expenditures	**1,223,421**	**-**	**-**	**-**	**1,223,421**
As at 31 December 2018					
Assets	15,802,701	2,707,609	727,119	16,843	19,254,272
Liabilities	6,722,911	1,144,733	240,246	96,521	8,204,411
Capital expenditures	28,465	391,017	637,000	-	1,056,482
Project expenditures	1,980,540	-	-	-	1,980,540

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. The Chief Operating Decision Maker 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 2019 and 2018, the Group is organised into three major segments, namely investment properties (lease and manage retail, commercial and residential properties), hospitality and leisure (hotels and leisure activities) and cooling assets (cooling operations).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by each segment without allocation of central administration, management fee by the Ultimate Parent, selling and marketing expenses, other gains and losses, finance income and finance costs. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

25 Segment information (continued)

25.1 Business segments (continued)

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

- all assets other than corporate assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities other than corporate liabilities are allocated to reportable segments other than borrowings and non-convertible bonds and other financial liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

25.2 Geographical segments

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

26 Non-cash transactions

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

	2019 **AED'000**	2018 AED'000
Addition to investment properties against capital contributions from the Ultimate Parent (note 7)	**1,163,204**	1,022,004
Addition in corporate loan against capital contributions from the Ultimate Parent (note 13)	**(240,786)**	(2,759,214)
Transfer between investment properties and property, plant and equipment (notes 5,7)	**-**	24,861

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

27 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 2019 AED'000	Financing cash flows (i) AED'000	Fair value adjustments AED'000	Finance costs incurred AED'000	Others (ii) AED'000	Balance at 31 December 2019 AED'000
Bank borrowings, sukuk and corporate loan from the Ultimate Parent (i)	6,889,248	(287,460)		286,940	250,148	7,138,876
Lease liabilities	289,368	(37,243)	-	10,547	7,661	270,333
Derivative financial instruments	(2,938)	(77,121)	96,401	-	(8,919)	7,423
	7,175,678	**(401,824)**	**96,401**	**297,487**	**248,890**	**7,416,632**

(i) The cash flows from bank borrowings, sukuk and corporate loan from the Ultimate Parent make up the net amount of proceeds from bank borrowings, sukuk and corporate loan from the Ultimate Parent and repayments of bank borrowings, sukuk and corporate loan from the Ultimate Parent and related and finance costs paid.

(ii) Others include non-cash movement in corporate loan from the Ultimate Parent.

28 Non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss for the year allocated to non-controlling interests		Accumulated non-controlling interests	
		2019 (%)	2018 (%)	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Saadiyat Cooling LLC ("SC LLC")	UAE	**15**	15	**(121)**	-	**68,407**	68,528

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

28 Non-controlling interests (continued)

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

	SC LLC	
	2019	2018
	AED'000	AED'000
Assets	**496,319**	484,143
Liabilities	**(40,273)**	(27,292)
Net assets	**456,046**	456,851
Revenue	**57,276**	-
Expenses	**(58,082)**	-
Loss for the year	**(806)**	-
Net cash inflows from operating activities	**33,694**	-
Net cash outflows from investing activities	**(2,979)**	-

29 Business combinations

On 31 December 2018, the Group signed sale and purchase agreement and assignment agreement with the Ultimate Parent in respect of certain businesses (as defined under IFRS 3 *Business Combinations*) and assets. The transfers of businesses constituted common control transactions since the businesses were ultimately controlled by the Ultimate Parent before and after the combination, and that control was not transitory. The Group assessed that the transaction has substance and, in line with the Group's accounting policy in respect of transactions involving entities under common control, the business combinations were accounted for under acquisition method of accounting.

29 Business combinations (continued)

The initial accounting for the acquisition of Saadiyat Cooling LLC and Saadiyat District Cooling LLC had only been provisionally determined at 31 December 2018 based on management's best estimate, therefore consolidated financial statements of the Group for the year ended 31 December 2018 were prepared based on provisional amounts for these acquired businesses as the initial accounting for business combinations ("Purchase Price Allocation") was incomplete. During the year, the Group completed the Purchase Price Allocation exercise for these acquired businesses and, accordingly, has adjusted the provisional values recognised for business combinations as of 31 December 2018. The comparative information for 31 December 2018 has been adjusted for business combinations in respect of Saadiyat Cooling LLC and Saadiyat District Cooling LLC as required by IFRS 3, as follows:

	At 31 December 2018 (acquisition date)	
	Provisional amounts AED'000	Final amounts AED'000
Property, plant and equipment (i)	637,001	462,581
Intangible assets (i)	-	174,420
Trade and other receivables	64,951	64,951
Cash and bank balances	36,867	36,867
Trade and other payables	(51,920)	(51,920)
Total identifiable assets acquired and liabilities assumed	686,899	686,899
Non-controlling interests	(68,528)	(68,528)
Total consideration	618,371	618,371
Satisfied by:		
Contribution from the Ultimate Parent recorded in equity	618,371	618,371
Total consideration	618,371	618,371

There was no cash outflow arising on acquisition.

(i) The fair value of the acquired identifiable intangible assets of AED 174,420 thousand (note 6), recognised as part of business combination, represents long term non-cancellable contracts with customers for the supply of district cooling services that are valued based on the present value of expected future cash flows that will be generated over its remaining useful life.

30 Subsequent events

Subsequent to the reporting period, the Board of Directors in their meeting held on 9 March 2020, approved a cash dividend of AED 608,934 thousand and repayment of capital contributions amounting to AED 116,067 thousand to the Ultimate Parent for the year ended 31 December 2019 (2018: nil).

31 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 March 2020.