ALDAR PROPERTIES PJSC

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

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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 Properties PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

Principal activities

The Group is engaged in various businesses primarily the development, sales, investment, construction, leasing, management and associated services for real estate. In addition, the Group is also engaged in development, construction, management and operation of hotels, schools, marinas, cooling station operations, restaurants, beach club and golf courses.

Financial results

The financial results of the Group have been presented on page 11 of these consolidated financial statements.

Directors

H.E. Mohamed Khalifa Al Mubarak	Chairman
H.E. Waleed Ahmed Al Mokarrab Al Muhairi	Vice Chairman
Mr. Ali Saeed Abdulla Sulayem Al Falasi	Director
Mr. Mansour Mohamed Al Mulla	Director
Ms. Mariam Saeed Ahmed Ghobash	Director
Mr. Martin Lee Edelman	Director
Eng. Hamad Salem Mohamed Al Ameri	Director

Release

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

for the Board of Directors

Mohamed Al Mubarak
Chairman
12 February 2020

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Properties P.J.S.C (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated 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 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.

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
Net realisable value of land held for sale	
The Group's land held for sale amounted to AED 4,797 million as at 31 December 2019 (2018: AED 3,806 million). The Group recognised a loss of AED 525 million in the consolidated income statement which represents difference between the cost of certain plots of land and their net realisable values. An assessment of the net realisable value of the Group's land held for sale is carried out at each reporting date based on external valuation exercise. Key inputs used by management in their assessment include forecast selling prices, site planning (including planning consent), build costs, cost recoveries, sales rates (per square meter) and discount rates, which are influenced by prevailing market conditions and the specific characteristic of the land in the portfolio. The Group appointed professionally qualified external valuers to determine the fair value of the Group's portfolio of land held for sale. In the event that the carrying amount of land held for sale is higher than its net realisable value, the Group adjusts the carrying values to net realisable value and recognises a net realisable value write down. We considered valuation of the land held for sale as a key audit matter because of the quantitative materiality of the balance and the significant estimates made by management in determining the net realisable value. Refer to note 12 for disclosures relating to this matter.	We assessed the design and implementation of controls in this area. We considered if there was any plots of land which had not been considered for an assessment for net realisable value by management. 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 sample tested data provided to the valuer by the Group. We involved our internal real estate valuation specialist to review selected properties valued by the external valuer and assessed whether the net realisable value of the plots of land was performed in accordance with the requirements of IAS 2 *Inventories*. 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 reperformed the arithmetical accuracy of the determination of net realisable value. We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment property portfolio amounted to AED 16,783 million as at 31 December 2019 (2018: AED 16,408 million) and the net fair value loss recorded in the consolidated income statement amounted to AED 375 million (2018: AED 671 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. 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. 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. 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. We have identified the valuation of investment properties as a key audit matter as the 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. Refer to note 8 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 reperformed the arithmetical accuracy of the determination of recoverable amounts. We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Revenue recognition for property development and sales	
Revenue recognition on property development and sales required significant judgements to be applied and estimates to be made. The Group assesses for each of its contracts with customers for property development and sales, whether to recognise revenue over time or at a point in time based on a consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right for payment related to performance completed at any time during the life of the contract as disclosed in Note 3.7 and Note 4 to the consolidated financial statements. Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period. Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgements made in assessing the timing of revenue recognition. Refer to note 4 for details about judgements applied and estimates made in determining the amount of revenue to be recognized.	We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of property development and sales. We tested the design, implementation and operating effectiveness of controls established by the Group over revenue recognition and measurement for property development and sales. We inspected a sample of contracts with customers for property development and sales and assessed management's identification of performance obligations and their determination of whether revenue should be recognised over time or at a point in time in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers* by making reference to the terms and conditions specified in the contracts. We determined to what extent the resultant performance obligations had been satisfied through the inspection of supporting documentation. We examined approved project cost budgets for significant on-going real estate developments and reviewed the projects' completion percentages as a percentage of total costs incurred. We also inspected supplier invoices, on a sample basis, to substantiate the costs incurred. For a sample of significant projects, we recalculated the amount of revenue to be recognised. We evaluated the governance around approval of project budgets and held discussions with management where significant variances against the approved budgets were noted to understand the underlying reason. We assessed the disclosures made in the consolidated financial statements in this area against the requirements of IFRSs.

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 13 February 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, and the Group's Annual Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional 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.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 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 35 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- Note 40 reflects the disclosures relating to social contributions made during the year; 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
12 February 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	**6**	**3,504,590**	3,600,971
Intangible assets and goodwill	**7**	**192,223**	198,117
Investment properties	**8**	**16,782,476**	16,408,303
Investment in associates and joint ventures	**9**	**198,979**	993,531
Financial assets at fair value through other comprehensive income ("FVTOCI")	**10**	**55,202**	96,116
Derivative financial instruments	**22**	**-**	14,024
Trade and other receivables	**11**	**238,926**	399,002
Total non-current assets		**20,972,396**	21,710,064
Current assets			
Land held for sale	**12**	**4,796,967**	3,806,071
Development work in progress	**13**	**2,546,972**	2,473,374
Inventories	**14**	**1,052,786**	469,144
Trade and other receivables	**11**	**6,211,360**	5,070,445
Cash and bank balances	**15**	**5,686,242**	5,014,607
Total current assets		**20,294,327**	16,833,641
Total assets		**41,266,723**	38,543,705

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

Consolidated statement of financial position at 31 December 2019 (continued)

	Notes	2019 AED '000	2018 AED '000
EQUITY AND LIABILITIES			
Equity			
Share capital	**16**	**7,862,630**	7,862,630
Statutory reserve	**17**	**3,931,315**	3,931,315
Cash flow hedging reserve	**17**	**(33,482)**	70,547
Investment revaluation reserve	**17**	**19,439**	34,729
Retained earnings		**13,057,604**	12,163,947
Equity attributable to owners of the Company		**24,837,506**	24,063,168
Non-controlling interests		**113,744**	172,662
Total equity		**24,951,250**	24,235,830
Non-current liabilities			
Non-convertible sukuk	**18**	**3,628,113**	1,810,140
Bank borrowings	**19**	**4,407,417**	4,865,481
Retentions payable		**260,210**	304,702
Lease liabilities	**20**	**431,559**	430,703
Employees benefits	**21**	**167,464**	150,710
Derivative financial instruments	**22**	**10,760**	5,802
Total non-current liabilities		**8,905,523**	7,567,538
Current liabilities			
Non-convertible sukuk	**18**	**36,377**	21,811
Bank borrowings	**19**	**75,226**	358,512
Retentions payable		**604,694**	409,493
Lease liabilities	**20**	**80,781**	99,195
Advances from customers		**487,658**	362,276
Trade and other payables	**23**	**6,125,214**	5,489,050
Total current liabilities		**7,409,950**	6,740,337
Total liabilities		**16,315,473**	14,307,875
Total equity and liabilities		**41,266,723**	38,543,705

Mohamed Al Mubarak	**Talal Al Dhiyebi**	**Greg Fewer**
Chairman	Chief Executive Officer	Chief Financial 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	24	7,147,881	6,286,533
Direct costs	25	(4,378,237)	(3,654,846)
Gross profit		2,769,644	2,631,687
Selling and marketing expenses	26	(109,522)	(85,440)
General and administrative expenses			
Staff costs	27	(237,423)	(218,948)
Depreciation and amortisation	6,7	(268,550)	(230,142)
Provisions, impairments and write-downs, net	28	(152,675)	(50,048)
Others		(126,407)	(139,235)
Share of (loss)/profit from associates and joint ventures	9	(3,096)	49,863
Gain on disposal of joint venture	9	-	30,319
Gain on disposal of property, plant and equipment	6	22,964	-
Fair value loss on investment properties, net	8	(374,751)	(671,046)
Gain on disposal of investment properties	8	23,856	-
Gain on exchange of properties, net of write-downs	32	388,384	-
Finance income	29	84,087	79,735
Finance costs	30	(349,719)	(309,749)
Other income	31	258,387	767,868
Profit for the year		1,925,179	1,854,864
Profit for the year attributable to:			
Owners of the Company		1,984,097	1,855,808
Non-controlling interests		(58,918)	(944)
		1,925,179	1,854,864
Basic and diluted earnings per share	33	0.252	0.236

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

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

	2019 AED '000	2018 AED '000
Profit for the year	**1,925,179**	1,854,864
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on investments in equity instruments designated as at FVTOCI (note 10)	**(4,962)**	(9,355)
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain arising on hedging instruments during the year classified under cash flow hedges, net of reclassification to profit or loss (note 22)	**(105,466)**	82,951
Share of other comprehensive income of joint venture (note 9)	**(280)**	4,620
Cumulative loss arising on hedging instruments of a joint venture reclassified to profit or loss upon derecognition (note 9)	**1,717**	-
Other comprehensive (loss)/income for the year	**(108,991)**	78,216
Total comprehensive income for the year	**1,816,188**	1,933,080
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,875,106**	1,934,024
Non-controlling interests	**(58,918)**	(944)
	1,816,188	1,933,080

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	Cash flow hedging reserve AED '000	Investment revaluation reserve AED '000	Retained earnings AED '000	Equity attributable to owners of the company AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2018	7,862,630	3,931,315	(17,024)	44,084	11,200,549	23,021,554	213,611	23,235,165
Profit for the year	-	-	-	-	1,855,808	1,855,808	(944)	1,854,864
Other comprehensive income/(loss)	-	-	87,571	(9,355)	-	78,216	-	78,216
Total comprehensive income/(loss) for the year	-	-	87,571	(9,355)	1,855,808	1,934,024	(944)	1,933,080
Dividends paid for the year 2017	-	-	-	-	(943,516)	(943,516)	-	(943,516)
Acquisition of non-controlling interests (i)	-	-	-	-	51,106	51,106	(81,106)	(30,000)
Non-controlling interests recognised on acquisition of a subsidiary (note 5)	-	-	-	-	-	-	41,101	41,101
Balance at 31 December 2018	7,862,630	3,931,315	70,547	34,729	12,163,947	24,063,168	172,662	24,235,830
Profit for the year	-	-	-	-	1,984,097	1,984,097	(58,918)	1,925,179
Other comprehensive loss	-	-	(104,029)	(4,962)	-	(108,991)	-	(108,991)
Total comprehensive (loss)/income for the year	-	-	(104,029)	(4,962)	1,984,097	1,875,106	(58,918)	1,816,188
Dividends paid for the year 2018 (note 34)	-	-	-	-	(1,100,768)	(1,100,768)	-	(1,100,768)
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated as at FVTOCI (note 10)	-	-	-	(10,328)	10,328	-	-	-
Balance at 31 December 2019	**7,862,630**	**3,931,315**	**(33,482)**	**19,439**	**13,057,604**	**24,837,506**	**113,744**	**24,951,250**

(i) This represent acquisition of remaining 40% shares in Khidmah LLC (a subsidiary) effective 25 September 2018 resulting in the Group holding 100% shares of the investee. The difference between consideration paid and carrying value of the non-controlling interests acquired amounting to AED 51,106 thousand is recognised directly in equity.

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		**1,925,179**	1,854,864
Adjustments for:			
Depreciation and amortisation	**6,7**	**278,009**	242,807
Finance income	**29**	**(84,087)**	(79,735)
Dividend income	**10**	**(1,400)**	(5,415)
Finance costs		**349,719**	287,520
Fair value loss on investment properties, net	**8**	**374,751**	671,046
Share of profit from associates and joint ventures	**9**	**3,096**	(49,863)
(Release)/provision for onerous contracts	**28**	**(6,842)**	12,126
Provisions/impairment (trade receivables and development work in progress)		**77,581**	59,325
Reversal of accruals, net		**(36,357)**	(144,528)
Bargain purchase gain on business combinations	**31**	**-**	(132,791)
Reversal of impairment on property, plant and equipment, net	**28**	**(29,186)**	(22,507)
Gain on disposal of property, plant and equipment	**6**	**(22,964)**	-
Gain on disposal of investment properties	**8**	**(23,856)**	-
Cumulative loss arising on hedging instruments of a joint venture reclassified to profit or loss upon derecognition	**10**	**1,717**	-
Gain on exchange of properties, net of write-downs	**32**	**(388,384)**	-
Provision for employees' end of service benefits	**21**	**39,154**	36,687
Operating cash flows before movements in working capital		**2,456,130**	2,729,536
Movement in working capital:			
Increase in trade and other receivables		**(1,002,762)**	(98,008)
Increase in development work in progress (i)		**(878,199)**	(998,350)
Increase in inventories and land held for sale (i)		**(196,966)**	(1,760,190)
Increase in retentions payable		**150,709**	92,630
Increase/(decrease) in advances from customers		**125,382**	(107,578)
Increase in trade and other payables		**694,613**	71,247
Cash generated from/(used in) operations		**1,348,907**	(70,713)
Employees' end of service benefits paid	**21**	**(29,539)**	(36,675)
Net cash generated from/(used in) operating activities (i)		**1,319,368**	(107,388)

(i) The net cash outflows for operating activities for the year ended 31 December 2018 include AED 2,050,000 thousand relating to the acquisition of land and projects under development as part of the acquisitions from Tourism Development & Investment Company (note 5).

(ii) Refer note 41 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.

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

	Notes	2019 AED '000	2018 AED '000
Investing activities			
Purchases of property, plant and equipment	6	(127,518)	(94,170)
Purchases of intangible assets	7	(6,422)	(4,064)
Additions to investment properties	8	(113,278)	(732,277)
Acquisition of businesses, net of cash acquired	5.3	-	(928,337)
Acquisition of cash and cash equivalents	9	89,783	-
Proceeds from disposal of investment properties		295,215	-
Proceeds from disposal of property, plant and equipment		23,058	-
Proceeds from disposal of financial assets at FVTOCI	10	30,799	-
Acquisition of non-controlling interests in a subsidiary		-	(30,000)
Movement in term deposits with original maturity of greater than three months		586,456	2,408,578
Movement in restricted bank balances		(362,337)	(60,249)
Capital call contributions made against investment in financial assets at FVTOCI	10	(2,452)	(14,420)
Capital distributions received against investment in financial assets at FVTOCI	10	7,605	28,338
Finance income received		113,682	125,541
Dividends received	9,10	31,100	34,775
Net cash from investing activities		565,691	733,715
Financing activities			
Repayments of lease liabilities	36.2	(42,011)	(54,851)
Partial settlement of interest rate swaps		(77,121)	58,466
Proceeds from bank borrowings and sukuk		2,329,149	8,171,250
Repayments of bank borrowings and sukuk		(1,742,500)	(7,075,014)
Directors' remuneration paid	35	(16,075)	(19,279)
Finance costs paid		(338,937)	(283,830)
Dividends paid		(1,101,810)	(945,618)
Net cash used in financing activities		(989,305)	(148,876)
Net increase in cash and cash equivalents		895,754	477,451
Cash and cash equivalents at beginning of the year		1,394,358	916,907
Cash and cash equivalents at end of the year	15	2,290,112	1,394,358

1 General information

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

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

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

As of 31 December 2019, Mubadala Investment Company through its wholly owned subsidiaries has an indirect 37.4% shares of the Company.

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

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.

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.

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 (continued)

Except the amendments to Interest rate Benchmark Reform, management do 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, revaluation of the financial assets at fair value through other comprehensive income 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)

3.2 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.

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.

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

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

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

Details of the Company significant subsidiaries are given below:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activity
	2019	2018		
Al Raha Gardens Property LLC	**100%**	100%	UAE	Development, sale and management of properties
Al Jimi Mall LLC	**100%**	100%	UAE	Development and management of investment property
Aldar Real Estate Services LLC	**100%**	100%	UAE	Property development
Al Raha Infrastructure Company LLC	**100%**	100%	UAE	Development, sale and management of properties
Aldar Education - Sole Proprietorship LLC (i)	**100%**	-	UAE	Investment in, and management of entities providing educational services
Aldar Academies LLC	**100%**	100%	UAE	Investment in, and management of entities providing educational services
Aldar Commercial Property Developments LLC	**100%**	100%	UAE	Ownership, management and development of buildings
Aldar Hotels and Hospitality LLC	**100%**	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	**100%**	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Abu Dhabi World Trade Centre LLC	**100%**	100%	UAE	Development and management of, and investment in, properties and related activities
Provis Real Estate Management - Sole Proprietorship LLC (i)	**100%**	-	UAE	Management and leasing of real estate

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 Hotel LLC	**100%**	100%	UAE	Ownership, development and management of hotels
Yas Links LLC	**100%**	100%	UAE	Ownership and management of golf courses and golf clubs
Tilal Liwa Real Estate Investment LLC	**100%**	100%	UAE	Property, rental and management
Al Seih Real Estate Management LLC	**91.4%**	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC	**91.4%**	91.4%	UAE	Property rental and management; real estate projects investment
Pivot Engineering & General Contracting Co. (WLL)	**65.2%**	65.2%	UAE	Engineering and general construction works
Aldar Investment Properties LLC	**100%**	100%	UAE	Investment, management and associated services for real estate assets and the operation of hotels
Aldar Investment Holding Restricted Limited	**100%**	100%	UAE	Special purpose vehicle, proprietary asset management company
Khidmah - Sole Proprietorship LLC	**100%**	100%	UAE	Management and leasing of real estate
TDIC Food & Beverage – Sole Proprietorship LLC	**100%**	100%	UAE	Restaurant management
TDIC Education - Sole Proprietorship LLC	**100%**	100%	UAE	Educational activities
Saadiyat Cooling LLC	**85%**	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC	**100%**	100%	UAE	Cooling station operations
Saadiyat Grove - Sole Proprietorship LLC (i)	**100%**	**-**	UAE	Real estate
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Accommodation village
Aldar Sukuk Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 2) Ltd. (i)	**100%**	-	Cayman Islands	Funding company
Cloud Spaces - Sole Proprietorship LLC (i)	**100%**	-	UAE	Real estate lease and management services
Provis Real Estate Brokers LLC (i)	**100%**	-	UAE	Real estate brokerage

(i) These entities were incorporated by the Group during the year.

3 Summary of significant accounting policies (continued)

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.

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.

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

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

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

3.4 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the associate or the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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

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

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

3 Summary of significant accounting policies (continued)

3.4 Investment in associates and joint ventures (continued)

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

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

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

When a Group entity transacts with an associate or a joint venture of the Group, profit and loss (unrealised gain/(loss)) arising from the transaction with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the associate or join venture that are not retained by the Group.

3.5 Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

3 Summary of significant accounting policies (continued)

3.6 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.

3.7 Revenue recognition

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

The Group recognises revenue from the following major sources:

- Sale of properties, construction contracts and provision of services
- Service charges and expenses recoverable from tenant
- Hospitality revenue
- Income from leisure businesses
- Revenue from cooling assets
- Fee income from school
- Management fee

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

3 Summary of significant accounting policies (continued)

3.7 Revenue recognition (continued)

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

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

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

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

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

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

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

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

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

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

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

Service charges and expenses recoverable from tenant

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)

3.7 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.

Income from schools

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

Revenue from 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.

3.8 Leases

The Group had early adopted IFRS 16 “Leases” with effect from 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.

3 Summary of significant accounting policies (continued)

3.8 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.

3 Summary of significant accounting policies (continued)

3.8 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)

3.8 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.

3.9 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.

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

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

3 Summary of significant accounting policies (continued)

3.11 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.

3.12 Capital work in progress

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

3 Summary of significant accounting policies (continued)

3.13 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.

3.14 Development work in progress

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

3.15 Inventories

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

3.16 Land held for sale

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

3 Summary of significant accounting policies (continued)

3.17 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition and are recognised separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in 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.

Computer software

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

Customer contracts

Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of district cooling services which were acquired during the year ended 31 December 2018 (note 5). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is in the range of 22 to 29 years.

3.18 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.

3 Summary of significant accounting policies (continued)

3.18 Impairment of non-financial assets (continued)

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.

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.

3.19 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.

3.20 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)

3.20 Provisions (continued)

Onerous contracts

If the Group has a contract that is onerous, the present obligations under onerous contracts are recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are remeasured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 5.

3.21 Provision for employees' benefits

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

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

3.22 Share-based payments

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

3 Summary of significant accounting policies (continued)

3.23 Government grants

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

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

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

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

3.24 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.

<u>Financial assets</u>

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.

3 Summary of significant accounting policies (continued)

3.24 Financial instruments (continued)

Financial assets (continued)

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

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.

3 Summary of significant accounting policies (continued)

3.24 Financial instruments (continued)

Financial liabilities (continued)

Embedded derivatives

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

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

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

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

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

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

Reclassification of financial assets and financial liabilities

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

Measurement of financial assets and liabilities

Initial measurement

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

3 Summary of significant accounting policies (continued)

3.24 Financial instruments (continued)

Measurement of financial assets and liabilities (continued)

Subsequent measurement of financial assets

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

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

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

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

Impairment of financial assets

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

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

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- 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.

3 Summary of significant accounting policies (continued)

3.24 Financial instruments (continued)

Impairment of financial assets (continued)

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.

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)

3.24 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)

3.24 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.

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

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, property, plant and equipment and/or property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by management.

Exchange of properties

As disclosed in Note 32, during the year, the Executive Council of the Government of Abu Dhabi resolved to exchange plots of land with the Group in a transaction that exchanges developable land resources in line with the parties' strategic priorities. In line with the requirements of IAS 16 *Property, Plant and Equipment*, the Group assessed that the transaction was undertaken on commercial terms and had commercial substance as:

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

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

Critical judgment in applying accounting policies (continued)

Judgements in relation to contracts with customers

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time in the following circumstances:

- where contracts are entered into for development (sale of properties to customers), the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date;
- where contracts are entered into for construction (to construct an asset for the customer), the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and
- where contracts are entered into to provide services (property management and facility management), the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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

Determination of transaction prices

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

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

Transfer of control in contracts with customers

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

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

Critical judgment in applying accounting policies (continued)

Identifying whether an acquisition is a business or an asset

For acquisitions made by the Group, the Group needs to make significant judgement to assess whether the assets acquired and liabilities assumed constitutes a business and whether it has acquired control of one or more businesses. Where such an acquisition does not constitute a business, the acquisition is accounted for as an asset acquisition. In making this assessment, the Group applies the definition of business under IFRS 3 which requires that the Group determines whether it has acquired integrated processes which when applied to inputs, have the ability to produce outputs.

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:

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

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

Calculation of loss allowance

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

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

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

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

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

Key sources of estimation uncertainty (continued)

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

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

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of investments in/receivable from joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management’s evaluation of the specific investee’s profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/ or receivable is recognised as an expense in income statement. Management is satisfied that no additional impairment is required on its investments in associates and joint ventures and it’s receivables from associates and joint ventures in excess of amount already provided.

5 Business combination

During the year ended 31 December 2018, the Company signed a framework agreement (the "Agreement") with Tourism Development & Investment Company ("TDIC") to acquire a portfolio of real estate assets, including limited liability companies, operating businesses and other assets for a total consideration AED 3,625,000 thousand as given below:

	AED'000
Operating Businesses (Notes 5.1 and 5.2) and other assets	1,575,000
Projects under development and lands	2,050,000
	3,625,000

The acquisition comprised of assets and businesses across hospitality, retail, residential, district cooling and education sectors. The aforementioned acquisition is a part of the Group's strategic plan to profitably deploy capital to expand its portfolio. Based on the Agreement, the effective date of acquisition of assets and control over the operating businesses acquired had been determined as 1 May 2018.

5.1 Operating businesses

Under the Agreement, the operating businesses acquired, included the acquisition of certain legal entities (listed in 5.1.1 below) and other businesses (listed in note 5.1.2 below) acquired from TDIC. The operating businesses met the definition of "Business" under IFRS 3.

5.1.1 Legal entities acquired

Name	Ownership Interest	Country of incorporation/ operation	Principal activity
TDIC Food & Beverage - Sole Proprietorship LLC	100%	UAE	Restaurant management
TDIC Education - Sole Proprietorship LLC	100%	UAE	Educational activities
Saadiyat District Cooling LLC	100%	UAE	Cooling station operations
Saadiyat Cooling LLC	85%	UAE	Cooling station operations

5.1.2 Other businesses acquired

Name	***Principal activity***
Saadiyat Beach Club	Beach club
Eastern Mangroves Hotel & Spa	Hotel and hospitality services
The Westin Abu Dhabi Golf Resort & Spa	Hotel and hospitality services
Abu Dhabi Golf Club	Golf club
Saadiyat Beach Golf Club	Golf club
Eastern Mangroves Retail and Marina	Retail units and marina
Al Bateen Marina Retail and Marina	Retail units and marina

For the above operating businesses, as per the Agreement, the Group acquired control from the effective date. The country of incorporation and operation of all the other businesses is UAE.

5 Business combination (continued)

5.1 Operating businesses (continued)

5.1.2 Other businesses acquired (continued)

The operating businesses acquired represent business combinations under IFRS 3 *Business Combinations* and have been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed forming part of business combination, has been recognised at its respective fair values, as of 1 May 2018. The remaining assets were accounted for and classified as additions of assets by their nature.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets at fair value.

5.2 Assets acquired and liabilities assumed of the operating businesses

Acquisition date fair values of the identifiable assets acquired and liabilities assumed of the operating Businesses, as well as the fair value of the non-controlling interest in one of the acquired entity, Saadiyat Cooling LLC were determined as follows:

	Notes	Fair value recognised on acquisition date AED '000
Assets		
Property, plant and equipment	6	810,145
Intangible assets (i)	7	179,809
Investment properties	8	166,053
Inventories		6,220
Trade and other receivables		103,190
Cash and bank balances	5.3	136,663
Total assets		1,402,080
Liabilities		
Advances from customers		8,110
Trade and other payables		167,562
Total liabilities		175,672
Total identifiable net assets at fair value		1,226,408
Non-controlling interest (ii)		(41,101)
Group's share of net assets acquired		1,185,307
Less: Purchase consideration		(1,070,376)
Gain on bargain purchase, net of goodwill		114,931
Goodwill (iii)	7	(17,860)
Gain on bargain purchase (iv)	31	132,791
		114,931

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

5 Business combination (continued)

5.2 Assets acquired and the liabilities assumed of the operating businesses (continued)

(i) The fair value of the acquired identifiable intangible assets of AED 179,809 thousand (note 7), 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.

(ii) This represent non-controlling interest in Saadiyat Cooling LLC which is measured at 15% of net assets at fair value.

iii) Goodwill of AED 17,860 thousand arising from the acquisition comprises largely of the sales growth, new customers and expected synergies. Goodwill is allocated to asset management segment only.

(iv) The gain on bargain purchase is included in other income and arises from the difference between the fair value of the net assets acquired of the operating businesses, forming part of business combination and consideration paid.

The fair value of the contingent consideration of AED 60,990 thousand was estimated by applying an income approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 *Fair Value Measurement* refers to as level 3 inputs. Key assumptions include a discount rate of 9.7% and probable revenue of AED 60,990 thousand. As of 31 December 2018 and 2019, neither the amount recognised for the contingent consideration arrangement, nor the range of outcomes, or the assumptions used to develop the estimates, had changed.

During the year ended 31 December 2019, in line with the Agreement, the Company entered into warranty claim settlement with TDIC whereby a plot of land with a fair value of AED 60,942 thousand was transferred to the Company (Note 31).

5.3 Analysis of cash flows on acquisition of operating businesses

	AED '000
Cash paid for the acquisition (note 5)	(1,065,000)
Net cash acquired on business combination (note 5.2)	136,663
Acquisition of Operating Business - net of cash acquired (included in cash flows from investing activities)	(928,337)
Transaction costs of the acquisition (included in cash flows from operating activities)	(4,406)
Net cash outflow on acquisition	(932,743)

Acquisition related costs amounted to AED 4,406 thousand in relation to acquisition of Operating Businesses were expensed during the year ended 31 December 2018 and were included in general and administrative expenses.

6 Property, plant and equipment

	Land and buildings AED '000	Labour camps AED '000	Furniture and fixtures AED '000	Plant and machinery AED '000	Office equipment AED '000	Computers AED '000	Motor vehicles AED '000	Lease improvements AED '000	Capital work in progress AED '000	Total AED '000
Cost										
At 1 January 2018	6,226,911	1,654,047	698,963	-	86,850	139,222	5,693	16,204	47,284	8,875,174
Additions	3,059	-	31,477	14,243	7,773	14,572	840	146	22,060	94,170
Acquisition of subsidiaries (note 5)	447,220	-	2,054	293,259	7,365	373	-	53,654	6,220	810,145
Transfers from development work in progress (note 13)	-	-	2,148	-	-	-	-	-	1,070	3,218
Transfers to investment properties (note 8)	-	-	-	-	-	-	-	-	(25,700)	(25,700)
Disposals	(5,206)	-	(10,585)	-	(287)	(924)	(126)	-	-	(17,128)
At 1 January 2019	6,671,984	1,654,047	724,057	307,502	101,701	153,243	6,407	70,004	50,934	9,739,879
Additions	29,811	2,211	36,098	609	8,640	9,444	3,289	10,142	27,274	127,518
Transfers from investment properties (note 8)	10,737	-	-	-	-	-	-	-	-	10,737
Disposals	-	(226,990)	(13,148)	(5,612)	(2,515)	(3,702)	(1,251)	(2,383)	-	(255,601)
At 31 December 2019	**6,712,532**	**1,429,268**	**747,007**	**302,499**	**107,826**	**158,985**	**8,445**	**77,763**	**78,208**	**9,622,533**
Accumulated depreciation and impairment losses										
At 1 January 2018	3,529,101	1,619,933	591,687	-	75,695	108,688	5,495	13,634	-	5,944,233
Charge for the year	150,398	45	40,173	12,677	11,318	11,393	148	7,935	-	234,087
Impairment/(reversal) (note 28)	(29,416)	6,909	-	-	-	-	-	-	-	(22,507)
Disposals	(5,206)	-	(10,362)	-	(287)	(924)	(126)	-	-	(16,905)
At 1 January 2019	3,644,877	1,626,887	621,498	12,677	86,726	119,157	5,517	21,569	-	6,138,908
Charge for the year	165,908	2,942	43,788	19,070	11,593	9,567	712	12,113	-	265,693
Impairment/(reversal) (note 28)	(36,787)	7,601	-	-	-	-	-	-	-	(29,186)
Derecognised on transfers to investment properties (note 8)	(2,928)	-	-	-	-	-	-	-	-	(2,928)
Disposals	-	(226,984)	(12,755)	(5,487)	(2,425)	(3,646)	(1,207)	(2,040)	-	(254,544)
At 31 December 2019	**3,771,070**	**1,410,446**	**652,531**	**26,260**	**95,894**	**125,078**	**5,022**	**31,642**	-	**6,117,943**
Carrying amount										
31 December 2019	**2,941,462**	**18,822**	**94,476**	**276,239**	**11,932**	**33,907**	**3,423**	**46,121**	**78,208**	**3,504,590**
At 31 December 2018	3,027,107	27,160	102,559	294,825	14,975	34,086	890	48,435	50,934	3,600,971

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

6 Property, plant and equipment (continued)

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

	2019 **AED '000**	2018 AED '000
Direct costs	**9,459**	12,665
General and administrative expenses	**256,234**	221,422
	265,693	234,087

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.

During the year, the Group sold property, plant and equipment resulting in a gain on disposal of AED 22,964 thousand (2018: nil).

Property, plant and equipment include right-of-use assets with respect to land leases of AED 71,784 thousand (2018: AED 74,476 thousand). Depreciation charge of AED 2,692 thousand was recorded against the right-of-use assets during the year (2018: AED 2,692 thousand). The average lease term is 30 years. There were no additions to right-of-use assets during the year. There are no extension or termination options on the lease.

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

During the year, the Group carried out a review of recoverable value of its property, plant and equipment. The review led to a net reversal of impairment of AED 29,186 thousand (2018: AED 22,507 thousand) (note 28), which has been recorded in the consolidated income statement. The reversal of impairment mainly relates to improved cashflows 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.

7 Intangible assets and goodwill

	Goodwill AED '000	Customer contracts AED '000	Computer software AED '000	Total AED '000
Cost				
At 1 January 2018	-	-	82,949	82,949
Additions	-	-	4,064	4,064
Acquisition of subsidiaries (note 5)	17,860	179,809	-	197,669
Disposals	-	-	(1,101)	(1,101)
At 1 January 2019	17,860	179,809	85,912	283,581
Additions	-	-	6,422	6,422
At 31 December 2019	**17,860**	**179,809**	**92,334**	**290,003**
Accumulated amortisation				
At 1 January 2018	-	-	77,845	77,845
Charge for the year	-	5,648	3,072	8,720
Disposals	-	-	(1,101)	(1,101)
At 1 January 2019	-	5,648	79,816	85,464
Charge for the year	-	8,313	4,003	12,316
At 31 December 2019	**-**	**13,961**	**83,819**	**97,780**
Carrying amount				
31 December 2019	**17,860**	**165,848**	**8,515**	**192,223**
At 31 December 2018	17,860	174,161	6,096	198,117

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The goodwill recognised by the Group relates to its hospitality and leisure business and the recoverable amount of the goodwill has been determined using a fair value less cost to sell calculation. The calculation of fair value less costs to sell was based on the following assumptions:

- Gross margins - gross margins were based on the expectations of past performance and future market conditions;
- Discount rates - discount rates reflect estimate of the specific risks and assumed 12%; and
- Growth rate - this is based on the 5 year business plan and management expectation of future results and assumed a growth rate of 2 to 4%.

The Group believes that no reasonably possible change in a key assumption would cause the carrying value of the goodwill to materially exceed the recoverable amount. During the year and as at 31 December 2019, there was no indication of impairment for customer contracts or computer software.

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

8 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	**15,126,557**	**1,281,746**	**16,408,303**	15,126,457	950,092	16,076,549
Additions during the year	**1,170,875**	**53,883**	**1,224,758**	549,425	182,852	732,277
Additions as part of business combinations (note 5)	**-**	**-**	**-**	166,053	-	166,053
Disposals	**(271,080)**	**-**	**(271,080)**	(102)	-	(102)
Transfer from/(to):						
Inventories	**2,846**	**-**	**2,846**	83,544	-	83,544
Property, plant and equipment (note 6)	**(13,665)**	**-**	**(13,665)**	25,700	-	25,700
Development work in progress (note13)	**-**	**(205,635)**	**(205,635)**	-	(4,672)	(4,672)
Land held for sale	**11,700**	**-**	**11,700**	-	-	-
From properties under development to completed properties (note 14)	**445,691**	**(445,691)**	**-**	-	-	-
Fair value (loss)/gain, net	**(246,639)**	**(128,112)**	**(374,751)**	(824,520)	153,474	(671,046)
Balance at the end of the year	**16,226,285**	**556,191**	**16,782,476**	15,126,557	1,281,746	16,408,303

All investment properties are located in the United Arab Emirates.

During the year, the Group sold investment properties and realised a 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 349,826 thousand (2018: AED 361,023 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.

Certain investment properties are pledged as security against bank borrowings as disclosed under note 19.

The fair values of the investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The valuations were mainly determined by using the income capitalisation method. The valuation has been conducted as at 31 October 2019, management believes that there have been no significant changes to the fair values of investment properties' from 31 October 2019 to 31 December 2019. There has been no change to the valuation techniques during the year. Refer to note 4 for the key assumptions used.

8 Investment properties (continued)

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.

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.

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,719,240 thousand (2018: AED 1,731,594 thousand) and direct operating cost relating to these properties amounted to AED 344,360 thousand (2018: AED 341,482 thousand).

9 Investment in associates and joint ventures

INVESTEE	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2019 AED '000	Share in current year's profit/(loss) AED '000	Share in hedging reserve AED '000	Dividends received AED '000	Allocated to current account of the associate/ join ventures AED '000	Disposals AED '000	Share in underlying net assets at 31 December 2019 AED '000
Associates										
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	147,832	2,900	-	(3,200)	-	-	147,532
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	36,652	(1,225)	-	(10,500)	-	-	24,927
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	-	-	-	-	-	-	-
Bunya Enterprises LLC	33%	33%	Abu Dhabi	-	-	-	-	-	-	-
Iskandar Holdings Limited *	19%	19%	Cayman Islands	6,086	-	-	-	-	-	6,086
				190,570	1,675	-	(13,700)	-	-	178,545
Joint ventures										
Aldar Besix LLC	51%	50%	Abu Dhabi	16,313	75	-	-	-	-	16,388
Al Raha International Integrated Facilities Management LLC (under liquidation)	50%	50%	Abu Dhabi	21,497	(1,451)	-	(16,000)	-	-	4,046
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	579,524	3,533	(280)	-	-	(582,777)	-
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	85,815	1,189	-	-	-	(87,004)	-
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	99,812	2,383	-	-	-	(102,195)	-
Royal House LLC	50%	50%	Abu Dhabi	-	(10,500)	-	-	10,500	-	-
Galaxy Building Materials LLC (under liquidation)	45%	50%	Abu Dhabi	-	-	-	-	-	-	-
				802,961	(4,771)	(280)	(16,000)	10,500	(771,976)	20,434
				993,531	**(3,096)**	**(280)**	**(29,700)**	**10,500**	**(771,976)**	**198,979**

* Iskandar Holdings Limited is classified as an associate of the Group although the Group owns a 19% ownership interest, as the Group has significant influence by virtue of its contractual right to appoint 2 out of 6 directors to the board of directors of the investee.

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

9 Investment in associates and joint ventures

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

	2019 AED '000	2018 AED '000
Total assets	**2,015,365**	2,050,296
Total liabilities	**(1,461,122)**	(1,456,112)
Net assets	**554,243**	594,184
Group's share of net assets of associates	**178,545**	190,570
Total revenue	**93,849**	104,731
Total profit for the year	**4,980**	23,041

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

	2019 AED '000	2018 AED '000
Total assets	**136,985**	2,453,647
Total liabilities	**(285,749)**	(1,471,641)
Net (liabilities)/assets	**(148,764)**	982,006
Group's share of net assets of joint ventures	**20,434**	802,961
Total revenue	**35,540**	307,560
Total (loss)/profit for the year	**(23,650)**	84,785
Share of losses		
The unrecognised share of loss of an associate for the year	**(3,528)**	(8,168)
Cumulative share of loss of an associate	**(29,729)**	(26,201)

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

9 Investment in associates and joint ventures (continued)

Losses adjusted against the receivables

The Group considers that its amount receivable from one of the joint venture is part of the Group's interest in the joint venture and, accordingly, loss recognised using the equity method in excess of the Group's investment in ordinary shares amounting to AED 10,500 thousand (2018: AED 10,826 thousand) was applied to the Group's receivable from the joint venture.

Disposal of joint ventures

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

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

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

During 2018, the Company sold one of its investments in joint ventures and recognised a gain on sale of AED 30,319 thousand. As per the agreement, the Group is entitled to further compensation which is contingent based on performance of the investee. As of 31 December 2019 and 31 December 2018, fair value of the contingent consideration amounted to nil.

10 Financial assets at fair value through other comprehensive income

	2019	2018
	AED '000	AED '000
Investment in UAE quoted securities	**40,000**	38,950
Investment in UAE unquoted securities	**15,202**	15,202
Investment in international unquoted securities	**-**	41,964
	55,202	96,116

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

10 Financial assets at fair value through other comprehensive income(continued)

Movement during the year is as follows:

	2019 **AED '000**	2018 AED '000
At 1 January	**96,116**	119,389
Additions	**2,452**	14,420
Loss on revaluations during the year	**(4,962)**	(9,355)
Capital redemptions	**(7,605)**	(28,338)
Disposal	**(30,799)**	-
At 31 December	**55,202**	96,116

During the year, dividend income received from these investments amounted to AED 1,400 thousand (2018: AED 5,415 thousand).

During the year, the Group sold the investments in international unquoted securities having a fair value of AED 30,799 thousand. Investment revaluation reserve credit of AED 10,328 thousand was reclassified to retained earnings. The loss for the year amounted to AED 6,012 thousand.

11 Trade and other receivables

	2019 **AED'000**	2018 AED'000
Non-current portion		
Receivables relating to project finance (note 11.3)	**141,985**	136,016
Receivables from the Government of Abu Dhabi (note 11.4)	**-**	95,000
Due from associates and joint ventures (note 11.5)	**174,597**	176,776
Others	**73,601**	88,914
	390,183	496,706
Less: allowance for expected credit loss (note 11.8)	**(151,257)**	(97,704)
	238,926	399,002

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

11 Trade and other receivables (continued)

	2019 AED'000	2018 AED'000
Current portion		
Trade receivables (note 11.1)	**2,284,156**	1,827,753
Refundable costs (note 11.2)	**138,990**	478,923
Receivables relating to project finance (note 11.3)	**6,938**	14,941
Receivables from the Government of Abu Dhabi (note 11.4)	**440,907**	279,258
Due from associates and joint ventures (note 11.5)	**25,889**	25,707
Gross amounts due from customer on contracts for sale of properties (note 11.6)	**1,987,629**	1,096,306
Gross amounts due from customer on contracts to construct an asset (note 11.7)	**49,397**	49,397
Advances and prepayments	**868,320**	1,109,827
Accrued interest	**32,767**	42,572
Others	**649,737**	475,259
	6,484,730	5,399,943
Less: allowance for expected credit loss (note 11.8)	**(273,370)**	(329,498)
	6,211,360	5,070,445

11.1 Trade receivables

Trade receivables mainly represent the amounts due in respect of sales of plots of land, properties and revenue from construction contracts. As at 31 December 2019, 21% of the trade receivables (2018: 25% of the trade receivables) are due from its top five customers (2018: five customers). Concentration of credit risk is mitigated by the fact that the customers have already made instalment payments, in some cases substantial, on the plots, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover losses incurred by the Group.

	2019 AED'000	2018 AED'000
Trade receivables	**2,284,156**	1,827,753
Less: allowance for expected credit loss (note 11.8)	**(257,239)**	(313,367)
	2,026,917	1,514,386

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

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

11 Trade and other receivables (continued)

11.1 Trade receivables (continued)

Ageing of trade receivables

The ageing of non-impaired receivables is as follows:

	2019 AED'000	2018 AED'000
Not past due	**975,216**	518,843
Past due (up to 180 days)	**386,401**	550,777
Past due (more than 180 days)	**665,300**	444,766
	2,026,917	1,514,386

11.2 Refundable costs

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

11.3 Receivables relating to project finance

	Minimum payments		**Present value of minimum payments**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Amounts receivable from project finance:				
Within one year	**13,737**	24,535	**6,938**	14,941
In the second to fifth year	**60,120**	58,657	**24,959**	26,308
After five years	**239,201**	254,401	**117,026**	109,708
	313,058	337,593	**148,923**	150,957
Less: unearned finance income	**(164,135)**	(186,636)	**-**	-
Present value of minimum payments receivable	**148,923**	150,957	**148,923**	150,957

11.4 Receivable from the Government of Abu Dhabi

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

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

11 Trade and other receivables (continued)

11.5 Due from associates and joint ventures

	Non-current		Current	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Gross receivables	**174,597**	176,776	**25,889**	25,707
Less: allowance for expected credit loss	**(151,258)**	(97,704)	**(16,131)**	(16,131)
	23,339	79,072	**9,758**	9,576

11.6 Contracts for sale of properties

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

	2019 AED'000	2018 AED'000
Amount due from customers included in trade and other receivables (note 11)	**1,987,629**	1,096,306
Amount due to customers included in trade and other payables (note 23)	**(10,055)**	-
	1,977,574	1,096,306

The above amount represents unbilled revenue arising from contracts for sale or properties. With respect to the above contracts, revenue aggregating to AED 4,368,000 thousand is expected to be recognised over the term of these contracts.

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

11 Trade and other receivables (continued)

11.7 Construction contracts

	2019 AED'000	2018 AED'000
Amount due from customers included in trade and other receivables (note 11)	**49,397**	49,397
Amount due to customers included in trade and other payables (note 23)	**(500,670)**	(41,478)
	(451,273)	7,919
Total contracts cost incurred plus recognised profits less recognised losses to date	**4,679,263**	3,859,198
Less: total progress billings to date	**(5,130,536)**	(3,851,279)
	(451,273)	7,919

The above amount represents (deferred)/unbilled revenue arising from contracts. With respect to the above contracts, revenue aggregating to AED 3,719,519 thousand is expected to be recognised over the period of these contracts.

11.8 Allowance for expected credit loss

Movement during the year in allowance of expected credit loss:

Trade receivables

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**313,367**	302,466
Charge for the year (note 28)	**61,078**	28,970
Write off of provision, net	**(117,206)**	(18,069)
Balance at the end of the year	**257,239**	313,367

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

11 Trade and other receivables (continued)

11.8 Allowance for expected credit loss (continued)

Due from associates and joint ventures

	2019 **AED'000**	2018 AED'000
Balance at the beginning of the year	**113,835**	106,282
Charge for the year	**53,553**	7,553
Balance at the end of the year	**167,388**	113,835

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

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

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

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

	2019 **AED'000**	2018 AED'000
Not past due	**820**	1,159
Past due (up to 180 days)	**2,599**	1,229
Past due (more than 180 days)	**9,443**	13,281
	12,862	15,669

12 Land held for sale

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

	2019	2018
	AED'000	AED'000
Balance at beginning of the year	**3,806,071**	2,305,747
Additions during the year (note 31 & 32)	**2,703,017**	1,646,571
Exchanged during the year (note 32)	**(910,345)**	-
Sold during the year	**(32,106)**	-
Transfer to development work in progress and investment properties during the year	**(244,779)**	(146,247)
Write-down to net realisable value (note 32)	**(524,891)**	-
Balance at the end of the year	**4,796,967**	3,806,071

As at 31 December 2019, the Group determined net realisable value of its land held for sale portfolio and recorded a write-down of AED 524,891 thousand (2018: nil) (note 32). The estimates of net realisable values are based on the most reliable evidence available at the reporting date, of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which the inventory is held. The determination of net realisable value of land held for sale is based on external valuations using various valuation methodologies and techniques (note 4).

The Group has conducted an analysis of the sensitivity of net realisable value to changes in key assumptions as below:

- a decrease in the discount rate by 50bps would result in a AED 8,880 thousand decrease in the write-down, whilst an increase in the discount rate by 50bps would result in AED 2,600 thousand increase in write-down; and
- an increase in the sales rates by 5% would result in a AED 42,900 thousand decrease in the write-down, and vice versa.

13 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed for sale in the ordinary course of business. Movement during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at beginning of the year	**2,473,374**	1,476,818
Development costs incurred during the year	**2,571,976**	2,520,606
Recognised in costs of properties sold	**(1,693,776)**	(1,307,628)
Exchanged during the year (note 32)	**(772,197)**	-
Write-off of project costs (note 28)	**(16,503)**	(3,348)
Transfers from/(to):		
Land held for sale (note 12)	**233,079**	144,505
Inventories (note 14)	**(454,616)**	(359,033)
Investment properties (note 8)	**205,635**	4,672
Property, plant and equipment (note 6)	-	(3,218)
Balance at the end of the year	**2,546,972**	2,473,374

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

14 Inventories

	2019 AED '000	2018 AED '000
Completed properties	**1,005,499**	402,190
Other operating inventories	**47,287**	66,954
	1,052,786	469,144

During the year, completed properties with an aggregate value of AED 454,616 thousand (2018: AED 359,033 thousand) were transferred to inventories from development work in progress upon completion (note 13).

During the year, an amount of AED 90,539 thousand was recognised as direct costs (2018: AED 93,023 thousand). Completed properties in inventories are located in the United Arab Emirates.

During the year, in line with terms of sales purchase agreements for development projects, the Group reacquired properties with a fair value of AED 248,485 thousand (2018: AED 15,775 thousand) due to contractual non-performance of counter parties. These properties were classified as inventory based on their nature.

15 Cash and cash equivalents

	2019 AED '000	2018 AED '000
Cash and bank balances	**3,161,327**	3,313,498
Short term deposits held with banks	**2,524,915**	1,701,109
Cash and bank balances	**5,686,242**	5,014,607
Short term deposits with original maturities greater than three months	**(291,544)**	(878,000)
Restricted bank balances	**(3,104,586)**	(2,742,249)
Cash and cash equivalents	**2,290,112**	1,394,358

During the previous year, the Group held amounts related to one of its associate in addition to community service charges and security deposits on behalf of the owners of units in certain buildings or communities that are managed by the Group. As at 31 December 2019, cash at banks amounting to AED 650,968 thousand (2018: AED 624,421 thousand) are not included in the Group's bank balances as it is held by the Company on behalf of third parties since the Group is not acting as a principal. Restricted cash and bank balances include balances amounting to AED 834,080 thousand (2018: AED 1,159,502 thousand) which are deposited into escrow accounts representing cash received from customers against sale of development properties. The remaining balance of restricted cash balances mainly represents cash balances designated against government projects and dividend payables for which separate bank accounts are maintained.

The interest rate on term deposits ranges between 0.4% and 3.55% (2018: 0.4% and 3.50%) per annum. All short term deposits are placed with local banks in the United Arab Emirates.

16 Share capital

Share capital comprises 7,862,629,603 (2018: 7,862,629,603) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

17 Reserves

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

Cash flow hedging reserve
This 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.

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

18 Non-convertible sukuk

Sukuk launched in 2018:

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

	2019	2018
	AED '000	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

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	2018
	AED '000	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-current portion	**3,628,113**	1,810,140
Total current portion	**36,377**	21,811

19 Bank borrowings

	Outstanding amount						
	Current	Non-current	Total	Security	Interest rate	Maturity	Purpose
	AED'000	AED'000	AED'000				
31 December 2019:							
Ijarah facility	-	**420,000**	**420,000**	Secured	relevant EIBOR + 1.50%	March 2023	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving Credit Facility	**62,500**	**1,602,000**	**1,664,500**	Unsecured	relevant EIBOR + 1.00%	December 2022	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Term loan	-	**400,000**	**400,000**	Secured	relevant EIBOR + 1.00%	August 2023	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Unamortised borrowing cost	-	**(14,583)**	**(14,583)**				
Accrual for interest and profits	**12,726**	-	**12,726**				
	75,226	**4,407,417**	**4,482,643**				
31 December 2018:							
Ijarah facility	280,000	-	280,000	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Revolving Credit Facility	62,500	2,084,500	2,147,000	Unsecured	relevant EIBOR + 1.00%	December 2022	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	-	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 borrowing cost	-	(19,019)	(19,019)				
Accrual for interest and profits	16,012	-	16,012				
	358,512	4,865,481	5,223,993				

19 Bank borrowings (continued)

As at 31 December 2019, the Group had AED 3.43 billion of undrawn, committed revolving credit facilities in the form of bilateral agreements with two financial institutions having a maturity for AED 3.19 billion in December 2022 and for AED 240 million in March 2023. As at 31 December 2019, all these facilities remained committed and undrawn.

In May 2018, the Group entered into a transaction with a financial institution of AED 5,000,000 thousand ("Revolving Credit Facility"). The Revolving Credit Facility involves a borrowing that is collateralised against a deposit with the same financial institution in line with the facility documents. The facility documents provide a right to the lender whereby the Group has authorised and directed the financial institution to set off the deposit and any interest accrued against any amount due and payable by the Group. The arrangement met the requirements of offsetting under IAS 32 *Financial Instruments: Presentation* since the Group has an enforceable right to set off the recognised amounts and the Group intends to settle on net basis, or to realise the asset and settle the liability simultaneously. This resulted in the presentation of a net borrowing in the consolidated statement of financial position. As at 31 December 2019, the net borrowing was AED 1,664,500 thousand (borrowing of AED 4,850,000 thousand less deposit of AED 3,185,500 thousand). The net borrowing is unsecured, carries interest at relevant EIBOR + 1%, drawn for general corporate purposes and repayable in semi-annual instalments of AED 31,250 thousand each. The deposit earns interest at 0.75% plus 3 months EIBOR.

Certain bank borrowings are secured in the form of mortgage over plots of land (AED 827,714 thousand) and operating assets (AED 2,913,377 thousand) and carry a net worth covenant.

Borrowings repaid during the year amounted to AED 1,162,500 thousand (2018: AED 4,319,889 thousand).

20 Lease liabilities

	2019	2018
	AED'000	AED'000
Year 1	**87,711**	103,015
Year 2	**68,293**	69,534
Year 3	**41,713**	44,175
Year 4	**37,106**	38,879
Year 5	**37,136**	33,910
Onwards	**341,198**	371,546
Balance at the end of the year	**613,157**	661,059
Less unearned interest	**(100,817)**	(131,161)
	512,340	529,898
Non-current	**431,559**	430,703
Current	**80,781**	99,195

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

21 Employees benefits

	2019 AED'000	2018 AED'000
Employees' end-of-service benefits	**155,094**	145,479
Long term incentive scheme	**12,370**	5,231
Balance at the end of the year	**167,464**	150,710

End-of-service benefits

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

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**145,479**	141,763
Acquired through business combination (note 5)	**-**	3,704
Charge for the year	**39,154**	36,687
Paid during the year	**(29,539)**	(36,675)
Balance at the end of the year	**155,094**	145,479

Long term incentive scheme

The Group's Board of Directors has approved a Long Term Incentive (LTI) scheme for certain employees of the Company. The LTI scheme is designed to provide long-term incentives for certain senior management team to deliver long-term shareholder returns. Under the LTI scheme, participants are granted incentive plan units linked to the total return of the equity shares of the Company, which vest progressively over a period of 2 to 4 years, subject to continued employment. A cash amount representing the value of vested portion is paid upon completion of the service condition. The expense for year in respect of the LTI scheme amounted to AED 7,751 thousand (2018: AED 2,202 thousand) while the liability relating to the LTI Scheme as at 31 December 2019 amounted to AED 12,370 thousand (2018: AED 5,231 thousand).

During the year, the Group reclassified liability related to long term incentive scheme amounting to AED 9,912 thousand from 'trade and other payables' to 'employee benefits' in the consolidated statement of financial position. There is no impact on profit or loss, or cash flows for the year ended 31 December 2018 and for the equity as at that date.

22 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 251,755 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**	14,024	Level 2
Derivative financial liabilities – interest rate swaps	**10,760**	**Level 2**	5,802	Level 2

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

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 asset/(liability), net**	
	2019	2018	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	**6.07%**	-	**68,080**	-	**(3,337)**	-
2 to 5 years	**2.73%**	2.73% to 6.07%	**183,675**	2,111,396	**(7,423)**	8,222
Total			**251,755**	2,111,396	**(10,760)**	8,222

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

22 Derivative financial instruments (continued)

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 following:

	2019
	AED'000
Balance at the beginning of the year	**70,547**
Cumulative fair value loss arising on hedging instruments during the year classified under cash flow hedges	**(96,104)**
Cumulative loss arising on hedging instruments reclassified to profit or loss (note 30)	**(9,362)**
Fair value loss arising on hedging instruments during the year classified under cash flow hedges of a joint venture (note 9)	**(280)**
Cumulative loss arising on hedging instruments of a joint venture reclassified to profit or loss upon derecognition (note 9)	**1,717**
Balance at the end of the year	**(33,482)**

23 Trade and other payables

	2019	2018
	AED'000	AED'000
Trade payables	**431,239**	467,694
Accrual for contractors' costs	**2,375,587**	1,738,118
Advances from the Government of Abu Dhabi	**416,559**	1,285,612
Deferred income	**305,191**	363,082
Dividends payable	**90,659**	91,701
Provision for onerous contracts	**14,880**	31,501
Gross amount due to customers on contracts for sale of properties (note 11.6)	**10,055**	-
Gross amount due to customers on contracts to construct an asset (note 11.7)	**500,670**	41,478
Due to the Government of Abu Dhabi	**1,123,868**	640,657
Other liabilities	**856,506**	829,207
	6,125,214	5,489,050

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

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

24 Revenue

	2019	2018
	AED'000	AED'000
Property development and management	**3,097,018**	2,440,058
Asset management and adjacencies	**4,050,863**	3,846,475
	7,147,881	6,286,533

25 Direct costs

	2019	2018
	AED'000	AED'000
Property development and management	**1,944,745**	1,344,714
Asset management and adjacencies	**2,433,492**	2,310,132
	4,378,237	3,654,846

26 Selling and marketing expenses

	2019	2018
	AED'000	AED'000
Corporate advertising	**37,272**	19,782
Exhibitions and sponsorships	**22,919**	17,494
Project marketing	**49,331**	48,164
	109,522	85,440

27 Staff costs

	2019	2018
	AED'000	AED'000
Salaries, bonuses and other benefits	**847,380**	799,943
Employees' end of service benefits (note 21)	**39,154**	36,687
Staff training and development	**3,639**	2,740
	890,173	839,370

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

27 Staff costs (continued)

	2019 AED'000	2018 AED'000
Staff costs allocated to:		
Direct costs	**625,049**	604,207
General and administrative expenses	**237,423**	218,948
Projects under development	**27,701**	16,215
	890,173	839,370

28 Provisions, impairments and write-downs, net

	2019 AED'000	2018 AED'000
Reversal of impairment of property, plant and equipment, net (note 6)	**(29,186)**	(22,507)
Provision for expected credit losses, net (note 11.8)	**61,078**	28,970
Provision on due from associates and joint ventures	**46,000**	-
Receivables written-off	**1,167**	21,143
(Release)/provision for onerous contracts	**(6,842)**	12,126
Write-off of development work in progress (note 13)	**16,503**	3,348
Others	**63,955**	6,968
	152,675	50,048

Others mainly include provisions recorded in respect of cost overruns on certain projects.

29 Finance income

	2019 AED'000	2018 AED'000
Interest/profit earned on:		
Islamic deposits	**22,321**	27,236
Bank fixed deposits	**14,172**	11,942
Call and current accounts	**24,231**	18,536
Total interest/profit earned	**60,724**	57,714
Financing income earned on receivables from project finance	**12,238**	12,904
Other finance income	**11,125**	9,117
	84,087	79,735

29 Finance income (continued)

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

	2019	2018
	AED'000	AED'000
Loans and receivables	**23,363**	22,021
Bank balances and deposits	**60,724**	57,714
	84,087	79,735

30 Finance costs

	2019	2018
	AED'000	AED'000
Finance costs on bank borrowings and non-convertible sukuk	**317,152**	287,547
Unwinding of finance cost on operating lease liability (note 36.2)	**23,205**	19,002
	340,357	306,549
Cumulative loss arising on hedging instruments reclassified to profit or loss	**9,362**	3,200
	349,719	309,749

31 Other income

	2019	2018
	AED'000	AED'000
Government grant income recorded upon handover of infrastructure assets (note 35)	**115,707**	466,932
Release of infrastructure accruals and other accruals	**44,752**	127,088
Gain on business combination (note 5)	**-**	132,791
Others	**97,928**	41,057
	258,387	767,868

Others include an amount of AED 60,942 thousand representing fair value of a plot of land acquired from TDIC pursuant to a warranty claim settlement under the framework agreement (note 5).

32 Gain on exchange of properties, net of write-downs

	2019 AED'000	2018 AED'000
Gain on exchange of properties (i)	**913,275**	-
Write-down of land held for sale to net realisable value (note 12)	**(524,891)**	-
	388,384	-

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

33 Earnings per share

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

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

	2019	2018
Earnings (AED '000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,984,097**	1,855,808
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	7,862,629,603
Basic and diluted earnings per share attributable to Owners of the Company in AED	**0.252**	0.236

34 Dividends

At the annual general assembly held on 20 March 2019, the shareholders approved the recommendation of the Board of Directors to distribute dividends of 14 fils per share for a total of AED 1,100,768 thousand. The Board of Directors, in their meeting held on 12 February 2020, proposed a cash dividend of 14.5 fils per share for the year ended 31 December 2019. The proposed dividend is subject to approval of the Shareholders at the annual general assembly.

35 Transactions and balances with related parties

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

Related party balances:

	2019	2018
	AED'000	AED'000
Government of Abu Dhabi		
Trade and other receivables	**883,884**	1,066,984
Trade and other payables	**(1,485,707)**	(640,657)
Advances received (note 23)	**(416,559)**	(1,285,612)
Major shareholder and its affiliates		
Trade and other receivables	**29,759**	47,685
Trade and other payables	**(12,571)**	(13,229)
Due from associates and joint ventures	**33,098**	88,648
Due to joint ventures for project-related work	**(32,692)**	(32,692)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Other than as disclosed in note 11.8 for allowance of expected credit losses against due form associates and joint ventures, no provision have been made for doubtful debts in respect of the amounts owned by related parties. Certain receivables from joint ventures carry interest of 9% per annum and are repayable within 2 to 5 years.

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

35 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year are as follows in addition to transactions described in note 9:

	2019 AED'000	2018 AED'000
Government of Abu Dhabi		
Revenue	**741,849**	444,435
Government grant income recorded upon handover of infrastructure assets (note 35.1)	**115,707**	466,932
Gain on exchange of properties (note 32)	**913,275**	-
Major shareholder and its affiliates		
Revenue	**45,786**	24,876
Finance income	**8,982**	6,798
Finance income from project finance and joint ventures	**7,553**	12,150
Key management compensation		
Salaries, bonuses and other benefits	**9,366**	10,805
Post-employment benefits	**2,013**	1,435
Long term incentives	**6,270**	1,717
	17,649	13,957
Directors' remuneration	**16,075**	19,279

35.1 The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised income statement. During the year, an amount of AED 115,707 thousand was recognised as government grant income upon handover of infrastructure assets (2018: AED 466,932 thousand) (note 31).

35 Transactions and balances with related parties (continued)

35.2 Outstanding borrowings of AED 3,064,500 thousand (2018: AED 3,947,000 thousand) are due to the banks controlled by the Government and major shareholder. Finance cost on these borrowings amounted to AED 176,910 thousand for the year ended 31 December 2019 (2018: AED 110,760 thousand).

35.3 Deposits and bank balances of AED 4,135,072 thousand (2018: AED 3,527,049 thousand) are kept with banks controlled by the Government and major shareholder. Finance income on these deposits amounted to AED 36,530 thousand for the year ended 31 December 2019 (2018: AED 30,415 thousand).

35.4 Letter of credits and bank guarantees issued through banks controlled by the Government and major shareholder amounted to AED 130,847 thousand for the year ended 31 December 2019 (2018: AED 361,645 thousand).

36 Contingencies and commitments

36.1 Capital commitments

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

	2019 AED‘000	2018 AED‘000
Projects under development	**2,600,863**	4,135,230
Reimbursable projects works in progress	**2,239,164**	1,135,018
Others	**-**	4,357
	4,840,027	5,274,605

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

The Group has outstanding advances to the suppliers and contractors amounting to AED 642,826 thousand (2018: AED 905,749 thousand) against the above commitments.

36.2 Operating lease commitments

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

<u>The Group as lessor</u>

	2019 AED‘000	2018 AED‘000
Buildings:		
Within one year	**835,379**	762,555
In the second to fifth year	**1,950,133**	1,434,533
After five years	**1,426,485**	507,262
	4,211,997	2,704,350

36 Contingencies and commitments (continued)

36.2 Operating lease commitments (continued)

The Group as a lessee

	2019 AED'000	2018 AED'000
Unwinding of interest expense on lease liabilities during the period (note 30)	**23,205**	19,002
Expense relating to short-term leases	**-**	2,638
Total cash outflow in respect of leases	**42,011**	54,851

36.3 Contingencies

Letters of credit and bank guarantees

	2019 AED'000	2018 AED'000
Letters of credit and bank guarantees	**1,005,590**	839,167
Group's share in contingencies of joint ventures and associates	**23**	152,052

Included in the above are bank guarantees and letters of credit amount of AED 795,772 thousand (2018: AED 749,584 thousand) pertaining to a construction related subsidiary.

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

37 Financial instruments

37.1 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.

37.2 Categories of financial instruments

	2019 AED'000	2018 AED'000
Financial assets		
Investment in financial assets at FVTOCI	**55,202**	96,116
Loans and receivables (including cash and bank balances)	**11,268,209**	9,388,251
Derivative financial instruments	**-**	14,024
	11,323,411	9,498,391
Financial liabilities		
Financial liabilities measured at amortised cost	**14,121,211**	11,806,132
Derivative financial instruments	**10,760**	5,802
	14,131,971	11,811,934

37.3 Financial risk management

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks 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.

37 Financial instruments (continued)

37.4 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 3.84% (2018: 4.01%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of seven (2018: seven) borrowing arrangements require maintaining a minimum tangible net worth. Three loans require a minimum tangible net worth of AED 6 billion of the Group and four loans require a minimum tangible net worth of AED 4 billion of a subsidiary.

37.5 Market risk management

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

a) Foreign currency risk management

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

37 Financial instruments (continued)

37.5 Market risk management (continued)

a) Foreign currency risk management (continued)

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

	Liabilities		Assets	
	2019	2018	**2019**	2018
	AED'000	AED'000	**AED'000**	AED'000
US Dollar	**4,708,877**	2,849,652	**418,969**	682,291
Saudi Riyal	**9,762**	9,185	**41,682**	42,230
Euro	**276**	89	-	-
Pound Sterling	-	60	-	-
	4,718,915	2,858,986	**460,651**	724,521

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

b) Interest rate risk management

The Group is exposed to interest rate risk as the Group is funded with both fixed and floating interest rate debt. 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 15, 18, and 19.

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by AED 25,156 thousand (2018: increase/ decrease by AED 35,345 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.

37 Financial instruments (continued)

37.5 Market risk management (continued)

b) Interest rate risk management (continued)

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.

37.6 Credit risk management

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

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

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

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

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

At 31 December 2019, 100% (2018: 100%) of the deposits were placed with 10 local banks and 1 foreign bank in KSA. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE & KSA and are regulated by the Central bank of the respective countries.

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

37 Financial instruments (continued)

37.6 Credit risk management (continued)

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

Collateral held as security and other credit enhancements

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

37.7 Liquidity risk management

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

The table below summarises the maturity profile of the Group's financial assets and 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(i)	**134,396**	**3,206,659**	**683,890**	**581,302**	**156,837**	**4,763,084**
Non-convertible sukuk	-	**22,538**	**13,839**	-	**3,673,500**	**3,709,877**
Variable interest rate instruments	**3,752**	**8,975**	**62,500**	**4,422,000**	-	**4,497,227**
Operating lease liability	**24,324**	**2,692**	**53,764**	**239,307**	**192,252**	**512,339**
Derivative instruments	-	-	-	**10,760**	-	**10,760**
Total	**162,472**	**3,240,864**	**813,993**	**5,253,369**	**4,022,589**	**13,493,287**
31 December 2018						
Financial liabilities						
Non-interest bearing instruments(i)	62,038	2,573,435	1,094,782	304,702	-	4,034,957
Non-convertible sukuk	-	-	21,811	-	1,810,140	1,831,951
Variable interest rate instruments	4,154	11,858	342,500	4,484,500	400,000	5,243,012
Operating lease liability	56,164	7,608	35,423	223,045	207,657	529,897
Derivative instruments	-	-	-	5,802	-	5,802
Total	122,356	2,592,901	1,494,516	5,018,049	2,417,797	11,645,619

(i) Including security deposits from customers.

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

38 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 18)	**1,832,969**	**1,989,274**	1,831,951	1,839,285
Sukuk No.2 (note 18)	**1,831,521**	**1,887,555**	-	-

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

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about the fair values of these financial assets as at 31 December 2019 and 31 December 2018:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2019				
Investments in financial assets at FVTOCI				
Equities	**40,000**	**-**	**15,202**	**55,202**
31 December 2018				
Investments in financial assets at FVTOCI				
Equities	38,950	-	15,202	54,152
Funds	-	-	41,964	41,964
	38,950	-	57,166	96,116

There were no transfers during the period from level 1 and level 2. Movement in the financial assets categorised under Level 3 is additional investment of AED 2,451 thousand, fair value loss recognised in other comprehensive income of AED 481 thousand and disposal of AED 43,935 thousand.

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

39 Segment information

39.1 Business segments

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

31 December 2019

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

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

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

39 Segment information (continued)

39.1 Business segments (continued)

31 December 2018

	Property development and management		Asset management				
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Adjacencies AED'000	Eliminations AED'000	Consolidated AED'000
Revenue from external customers							
- Over a period of time	2,105,000	65,746	-	336,582	1,479,561	-	3,986,889
- At a point in time	254,312	15,000	-	278,760	-	-	548,072
- Leasing	-	-	1,751,572	-	-		1,751,572
Inter-segment	-	-	-	819	181,802	(182,621)	-
Gross revenue (ii)	2,359,312	80,746	1,751,572	616,161	1,661,363	(182,621)	6,286,533
Cost of revenue excluding service charge	(1,491,306)	(12,527)	(223,436)	(518,667)	(1,462,243)	190,325	(3,517,854)
Service charge expenses	-	-	(136,992)	-	-		(136,992)
Gross profit	868,006	68,219	1,391,144	97,494	199,120	7,704	2,631,687
Depreciation and amortisation	-	-	(7,419)	(134,074)	(75,014)	-	(216,507)
Provisions, impairments and write downs, net	-	-	(87,126)	29,416	793	-	(56,917)
Fair value loss on investment properties, net	-	-	(671,046)	-	-	-	(671,046)
Share of profit from associates and joint ventures, net	-	-	48,006	-	-	-	48,006
Other income	610,731	-	14,472	-	-	(9,820)	615,383
Segment profit	1,478,737	68,219	688,031	(7,164)	124,899	(2,116)	2,350,606
Share of profit from associates and joint ventures, net							1,857
Selling and marketing expenses							(85,440)
Provisions, impairments and write downs, net							6,869
Gain on disposal of joint venture							30,319
General and administrative expenses							(358,183)
Depreciation and amortisation							(13,635)
Finance income							79,735
Finance costs							(309,749)
Other income							152,485
Profit for the year							1,854,864

(ii) Gross revenue of investment properties include AED 136,992 thousand of revenue from service charges.

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

39 Segment information (continued)

39.1 Business segments (continued)

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

	Property development and management		Asset management					
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Adjacencies AED'000	Unallocated AED'000	Elimination AED'000	Group AED'000
As at 31 December 2019								
Assets	**13,213,835**	**2,875,988**	**18,189,259**	**2,678,107**	**2,436,838**	**1,873,084**	**(388)**	**41,266,723**
Liabilities	**(2,885,323)**	**(2,911,411)**	**(7,422,137)**	**(1,132,190)**	**(1,251,952)**	**(712,460)**	**-**	**(16,315,473)**
Capital expenditures	**2,703,018**	**-**	**-**	**94,152**	**31,178**	**2,187**	**-**	**2,830,535**
Project expenditures	**2,563,314**	**3,905**	**1,224,756**	**-**	**4,757**	**-**	**-**	**3,796,732**
As at 31 December 2018								
Assets	10,969,607	2,312,197	17,712,381	2,679,330	2,274,276	2,598,030	(2,116)	38,543,705
Liabilities	(1,876,126)	(2,472,839)	(7,116,630)	(1,086,522)	(1,218,468)	(537,290)		(14,307,875)
Capital expenditures	1,500,323	-	49,822	341,610	683,953	8,739	-	2,584,447
Project expenditures	2,516,898	-	898,331	-	3,710	-	-	3,418,939

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 property development and management (develop, sell and manage development projects), asset management (lease and manage retail, commercial and residential properties, hotels and leisure activities) and adjacencies (mainly education, construction, property/facilities management and cooling operations). Comparative information for 2018 has been reorganised to match with current year's presentation.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit or loss earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of profits of associates and joint ventures, 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.

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

39 Segment information (continued)

39.1 Business segments (continued)

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

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

39.2 Geographical segments

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

40 Other general and administrative expenses

Other general and administrative expenses include social contributions amounting to AED 36,000 thousand (2018: AED 35,000 thousand).

41 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
Disposal of a joint venture (note 9)	**771,976**	-
Addition to investment properties (note 8)	**1,111,480**	-
Addition to bank borrowings (note 9)	**507,601**	-
Transfer between investment properties and property, plant and equipment (notes 8, 6)	**13,665**	25,700
Transfer between investment properties and development work in progress (notes 8, 13)	**205,635**	4,672

42 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	Others (iii) AED'000	Balance at 31 December 2019 AED'000
Bank borrowings and sukuk (ii)	7,055,945	248,288	-	842,901	8,147,134
Lease liabilities	529,898	(42,011)	-	24,453	512,340
Dividends payable	91,701	(1,042)	-	-	90,659
Derivative financial instruments	(8,222)	(77,121)	105,021	(8,918)	10,760
	7,669,322	**128,114**	**105,021**	**858,436**	**8,760,893**

(i) The cash flows from bank borrowings and sukuk make up the net amount of proceeds from bank borrowings and sukuk and repayments of borrowings and sukuk in the consolidated statement of cash flows.

(ii) Bank borrowings under others include AED 507,601 thousand acquired as part of acquisition (note 9).

(iii) Others include finance costs incurred.

43 Non-controlling interests

The table below shows details of the material non-controlling interests of the non-wholly owned subsidiaries 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019 (%)	2018 (%)	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Pivot Engineering & General Contracting Co. (WLL) ("PIVOT")	UAE	**65.2**	65.2	**(59,323)**	2,969	**71,866**	131,189
Saadiyat Cooling LLC ("SC LLC")	UAE	**85**	85	**404**	298	**41,804**	41,400
Total						**113,670**	172,589

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

43 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.

	2019 AED'000 Pivot	**2019 AED'000 SC LLC**	2018 AED'000 Pivot	2018 AED'000 SC LLC
Assets	**947,705**	**303,254**	741,738	281,194
Liabilities	**(859,764)**	**(321,455)**	(571,757)	(290,317)
Net assets	**87,941**	**(18,201)**	169,981	(9,123)
Revenue	**750,504**	**74,001**	816,684	70,563
Expenses	**(920,971)**	**(71,304)**	(808,153)	(68,578)
(Loss)/profit for the year	**(170,467)**	**2,697**	8,531	1,985
Net cash inflows from operating activities	**111,392**	**33,694**	5,678	7,039
Net cash outflows from investing activities	**(189,609)**	**(2,979)**	(7,803)	(11,329)

44 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2020.