ALDAR INVESTMENT PROPERTIES LLC

Reports and consolidated financial statements for the year ended 31 December 2020

ALDAR INVESTMENT PROPERTIES LLC

Reports and consolidated financial statements for the year ended 31 December 2020

Board of Directors' report
for the year ended 31 December 2020

The Directors present their report together with the audited consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together referred to as, the "Group") for the year ended 31 December 2020.

Principal activities

The principal activities of the Group are management of real estate assets including offices, malls, residential units, hotels, golf courses, beach clubs, restaurants and cooling assets. During the year, two operations (hospitality and leisure and cooling assets business segments) were discontinued by the Group.

Review of financial results

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

Directors

Mr. Talal Al Dhiyebi	Chairman and Non-Executive Director
Mr. Jassem Saleh Busaibe	Chief Executive Officer
Mr. Gregory Howard Fewer	Non-Executive Director
Mr. Jahedur Rehman	Non-Executive Director
Ms. Emma Louise O'Brien (appointed on 11 August 2020)	Non-Executive Director
Mr. Brett Scrymgeour (resigned on 11 August 2020)	Non-Executive Director

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2020.

for the Board of Directors

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Talal Al Dhiyebi
Chairman
4 March 2021

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Board of Directors but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Board of Directors. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

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

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><th colspan="2">Valuation of investment properties</th></tr>
<tr><td>The Group's investment property portfolio amounted to AED 16,115 million as at 31 December 2020 (2019: AED 16,294 million) and the net fair value loss recorded in the consolidated statement of profit or loss amounted to AED 256 million (2019: AED 175 million). The Group measures its investment properties at fair value and engages an external valuer to determine the fair value of all its properties.

The determination of the fair value of these investment properties is performed using the income approach of valuation.

The Group's determination of fair value of investment properties requires management to make significant estimates and assumptions related to, inter alia, future rental rates, capitalisation rates and discount rates.

The valuation of the portfolio involves significant estimation uncertainty 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.

The COVID-19 pandemic continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including the United Arab Emirates ("UAE") with the real estate market having experienced significant lower levels of transaction volume and liquidity. Therefore, in arriving at fair value estimates of the investment properties as at 31 December 2020, the external valuers have used their market knowledge and professional judgment and attached less weight to previous market evidence for comparison purposes. In these circumstances, a greater degree of uncertainty exists in estimating fair values of investment properties in comparison to a more active market.</td><td>We evaluated the design and implementation of controls in this area and tested these controls to determine if they were operating effectively.

We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes.

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 reviewed a sample of investment properties valued by the external valuers and also involved our internal real estate valuation expert to review a sample of those properties, in order to assess whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement. We also evaluated the approach applied by the Group to measure the impact of the COVID-19 pandemic on the determination of fair value for investment properties and tested the impact of the COVID-19 pandemic on selected properties.

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 a 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 fair value loss.

We assessed the disclosures made in relation to this matter to determine if they were in accordance with the requirements of IFRSs.</td></tr>
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Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties (continued)	
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 which requires management to make significant estimates and judgements in determining the fair value of investment property. Refer to note 7 for disclosures relating to this matter.	

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the contract of establishment 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.

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

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

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

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

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 (as amended), we report that for the year ended 31 December 2020:

- 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 2020;
- Note 21 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, its contract of establishment which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2020:

- Contract of establishment; and
- relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
4 March 2021
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position at 31 December 2020

	Notes	2020 AED '000	2019 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	16,958	2,817,547
Intangible assets	6	-	168,198
Investment properties	7	16,114,538	16,294,268
Total non-current assets		16,131,496	19,280,013
Current assets			
Inventories	8	-	12,004
Due from the Ultimate Parent	21	-	50,405
Trade and other receivables	9	524,158	503,171
Cash and bank balances	10	778,001	1,128,483
Total current assets		1,302,159	1,694,063
Total assets		17,433,655	20,974,076
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1	1
Statutory reserve	12	-	-
Capital contributions	13	9,476,144	11,976,642
Cash flow hedging reserve	12, 17	(34,695)	(35,441)
Retained earnings		996,447	608,934
Equity attributable to the Owners of the Company		10,437,897	12,550,136
Non-controlling interests		-	68,407
Total equity		10,437,897	12,618,543
Non-current liabilities			
Non-convertible sukuk	14	3,634,684	3,628,113
Bank borrowings	15	1,894,564	1,892,774
Corporate loan from the Ultimate Parent	21	-	1,575,000
Lease liabilities	16	210,677	224,584
Derivative financial instruments	17	13,675	7,423
Total non-current liabilities		5,753,600	7,327,894
Current liabilities			
Non-convertible sukuk	14	36,423	36,377
Bank borrowings	15	505,907	8,907
Due to the Ultimate Parent	21	77,149	-
Lease liabilities	16	30,256	45,749
Advances and security deposits		188,046	210,586
Trade and other payables	18	404,377	726,020
Total current liabilities		1,242,158	1,027,639
Total liabilities		6,995,758	8,355,533
Total equity and liabilities		17,433,655	20,974,076

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Talal Al Dhiyebi	**Jassem Saleh Busaibe**	**Faisal Falaknaz**
Chairman	Chief Executive Officer	Chief Financial Officer

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

Consolidated statement of profit or loss for the year ended 31 December 2020

	Notes	2020 AED '000	2019 AED '000
Continuing operations			
Revenue and rental income	**25**	**1,502,201**	1,575,277
Direct costs		**(283,603)**	(308,687)
Gross profit		**1,218,598**	1,266,590
Management fee charged by the Ultimate Parent	**21**	**(80,516)**	(78,789)
General and administrative expenses			
Depreciation and amortisation	**5, 6**	**(1,882)**	(2,936)
Provisions and reversal of impairments	**5, 9**	**(35,330)**	(59,716)
Gain on disposal of investment properties	**7**	**1,987**	23,856
Fair value loss on investment properties, net	**7**	**(255,516)**	(174,903)
Finance income		**5,879**	8,100
Finance costs	**20**	**(266,095)**	(300,123)
Other income		**5,948**	-
Profit for the year from continuing operations		**593,073**	682,079
Discontinued operations			
Profit/(loss) for the year from discontinued operations	**29**	**403,801**	(5,486)
Profit for the year		**996,874**	676,593
Profit for the year attributable to:			
Owners of the Company		**996,447**	676,714
Non-controlling interests		**427**	(121)
		996,874	676,593

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

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 AED '000	2019 AED '000
Profit for the year		**996,874**	676,593
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value loss arising on hedging instruments during the year classified under cash flow hedges	**17**	**(6,252)**	(87,484)
Cumulative loss/(gain) arising on hedging instruments reclassified to profit or loss upon derecognition	**17**	**6,998**	(9,361)
Other comprehensive income/(loss) for the year		**746**	(96,845)
Total comprehensive income for the year		**997,620**	579,748
Total comprehensive income for the year attributable to:			
Owners of the Company		**997,193**	579,869
Non-controlling interests		**427**	(121)
		997,620	579,748

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

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital AED'000	Capital contributions AED'000	Cash flow hedging reserve AED'000	Retained earnings AED'000	Equity attributable to the Owners of the Company AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2019	1	10,987,708	61,404	(67,780)	10,981,333	68,528	11,049,861
Profit for the year	-	-	-	676,714	676,714	(121)	676,593
Other comprehensive loss for the year	-	-	(96,845)	-	(96,845)	-	(96,845)
Total comprehensive (loss)/income for the year	-	-	(96,845)	676,714	579,869	(121)	579,748
Net movement in capital contributions during the year (note 13)	-	988,934	-	-	988,934	-	988,934
Balance at 1 January 2020	1	11,976,642	(35,441)	608,934	12,550,136	68,407	12,618,543
Profit for the year	-	-	-	996,447	996,447	427	996,874
Other comprehensive loss for the year		-	746	-	746	-	746
Total comprehensive income for the year	-	-	746	996,447	997,193	427	997,620
Dividends (note 31)	-	-	-	(608,934)	(608,934)	-	(608,934)
Derecognition of non-controlling interest on loss of control of a subsidiary (note 29)	-	-	-	-	-	(68,834)	(68,834)
Net movement in capital contributions during the year (note 13)	-	(2,500,498)	-	-	(2,500,498)	-	(2,500,498)
Balance at 31 December 2020	**1**	**9,476,144**	**(34,695)**	**996,447**	**10,437,897**	**-**	**10,437,897**

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

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	2020 AED '000	2019 AED '000
Operating activities			
Profit for the year		**996,874**	676,593
Adjustments for:			
Depreciation and amortisation	**5, 6**	**201,538**	203,275
Fair value loss on investment properties, net	**7**	**255,516**	174,903
Provisions for expected credit loss against trade receivables	**9**	**28,688**	59,716
Impairment/(reversal of impairment) on property, plant and equipment, net	**5**	**6,642**	(46,826)
Gain on disposal of investment properties		**(1,987)**	(23,856)
Gain on disposal of hospitality and leisure business segment	**29**	**(228,341)**	-
Gain on disposal of cooling assets business segment	**29**	**(318,543)**	-
Finance costs	**20**	**256,984**	289,903
Amortisation of transaction costs		**9,111**	9,878
Finance income		**(5,942)**	(8,564)
Operating cash flows before movement in working capital		**1,200,540**	1,335,022
Movement in working capital:			
Increase in trade and other receivables		**(207,899)**	(92,315)
Decrease in inventories		**2,275**	1,194
Increase/(decrease) in balances with the Ultimate Parent		**44,394**	(89,763)
Decrease in advances and security deposits		**(10,963)**	(5,850)
Decrease in trade and other payables		**(100,094)**	(31,992)
Net cash generated from operating activities		**928,253**	1,116,296

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

Consolidated statement of cash flows
for the year ended 31 December 2020 (continued)

	Notes	2020 AED '000	2019 AED '000
Investing activities			
Payment for purchases of property, plant and equipment	5	(43,161)	(94,920)
Payments for purchases of intangible assets	6	-	(1,295)
Proceeds from disposal of intangible assets		11	-
Additions to investment properties		(51,259)	(60,216)
Acquisition of cash and cash equivalents		-	20,700
Proceeds from sale of investment properties		76,459	294,936
Finance income received		8,389	8,564
Increase in term deposits with original maturities greater than three months		(82,182)	(70,000)
Movement in restricted balances		40	(40)
Cash and cash equivalents derecognised on disposal of businesses and subsidiaries	29	(192,108)	-
Net cash (used in)/generated form investing activities		(283,811)	97,729
Financing activities			
Payment of principal portion of lease liabilities		(28,609)	(28,782)
Cash paid due to the partial settlements of the derivative financial instruments (interest rate swap) used to hedge interest rate risk		-	(77,121)
Proceeds from bank borrowings and sukuk		500,000	1,836,750
Proceeds from corporate loan from the Ultimate Parent		258,000	-
Repayments of corporate loan from the Ultimate Parent		(903,000)	(1,425,000)
Repayments of bank borrowings and sukuk		-	(400,000)
Finance costs paid		(244,628)	(307,671)
Dividends paid		(608,934)	-
Net movement in capital contributions	13	(49,895)	-
Net cash used in financing activities		(1,077,066)	(401,824)
Net (decrease)/increase in cash and cash equivalents		(432,624)	812,201
Cash and cash equivalents at beginning of the year		1,058,443	246,242
Cash and cash equivalents at end of the year	10	625,819	1,058,443

Refer to note 26 for details of non-cash transactions excluded from the consolidated statement of cash flows.

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

Notes to the consolidated financial statements
for the year ended 31 December 2020

1 General information

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

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

The Company and its subsidiaries (together referred to as the "Group") are involved in management of real estate assets including offices, malls, residential units, hotels, golf courses, beach clubs, restaurants and cooling assets, which are the principal activities of the Group. During the year, two operations (hospitality and leisure and cooling assets business segments) were discontinued by the Group (note 29).

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

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

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

Amendments to References to the Conceptual Framework in IFRS Standards

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

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

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

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

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

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)

Amendments to IFRS 3 Business Combinations relating to definition of a business (continued)

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

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

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

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

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

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

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

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

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

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

- The Group has floating rate debt, linked to USD LIBOR, which is cash flow hedged using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

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)

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

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

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are presented in note 23.

Covid-19 Related Rent Concessions - amendments to IFRS 16

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

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

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

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

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to IFRS 3 Reference to the Conceptual Framework

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

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

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

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

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

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

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)

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (continued)

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

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2018-2020

The Annual Improvements include amendments to four standards.

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

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)

Annual Improvements to IFRS Standards 2018-2020 (continued)

IFRS 9 Financial Instruments
The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

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

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

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

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendment is effective for annual periods beginning on or after 1 January 2023, with early application permitted.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

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)

Definition of Accounting Estimates (Amendments to IAS 8) (continued)

The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendment is effective for annual periods beginning on or after 1 January 2023, with early application permitted.

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. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. (2) of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

3 Summary of significant accounting policies (continued)

3.1.1 Going concern

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

3.2 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.

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

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

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

Details of the Company significant subsidiaries are given below:

Name of subsidiary	**Ownership interest**		**Country of incorporation**	**Principal activity**
	2020	**2019**		
Yas Links LLC (ii)	-	100%	UAE	Ownership and management of golf courses and golf clubs
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Management of accommodation village
Saadiyat Cooling LLC (ii)	-	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC (ii)	-	100%	UAE	Cooling station operations
Aldar Sukuk Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 2) Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 3) Ltd. (i)	**100%**	-	Cayman Islands	Funding company

(i) The entity was incorporated by the Group during the year.
(ii) These entities were transferred by the Group to the Ultimate Parent and/or its affiliate during the year (note 29).

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in profit or loss.

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

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

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

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

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

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

Transactions involving entities under common control

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

3 Summary of significant accounting policies (continued)

3.3 Business combinations and goodwill (continued)

Transactions involving entities under common control (continued)

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

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

3.4 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.5 Revenue recognition

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

3 Summary of significant accounting policies (continued)

3.5 Revenue recognition (continued)

The Group recognises revenue from the following major sources:

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

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.5 Revenue recognition (continued)

Service charges and expenses recoverable from tenant

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

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

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

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

Hospitality revenue

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

Income from leisure businesses

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

Revenue from cooling assets

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

3 Summary of significant accounting policies (continued)

3.6 Leases

The Group as lessee

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

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

Lease payments included in the measurement of the lease liability comprise:

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

The Group as lessee (continued)

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.6 Leases (continued)

The Group as lessee (continued)

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

The Group as lessor

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

Rental income

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.7 Foreign currencies

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

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in income statement in the period during which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.9 Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

3 Summary of significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

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

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

An item of property, plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

3.10 Capital work in progress

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

3.11 Investment properties

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

3.11 Investment properties (continued)

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. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

3.12 Inventories

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

3.13 Intangible assets

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

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

Customer contracts
Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of district cooling services. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is in the range of 22 to 23 years.

3 Summary of significant accounting policies (continued)

3.14 Impairment of non-financial assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.15 Cash and cash equivalents

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

3 Summary of significant accounting policies (continued)

3.16 Provisions

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

3.17 Financial instruments

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

Financial assets

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

A financial asset is measured at amortised cost, if both the following conditions are met:

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

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

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)

3.17 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.

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Measurement of financial assets and liabilities

Initial measurement

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

Subsequent measurement of financial assets

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

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

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

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

Impairment of financial assets

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

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

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

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Impairment of financial assets (continued)

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

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

Derecognition

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

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

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

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

Offsetting of financial instruments

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

3 Summary of significant accounting policies (continued)

3.17 Financial instruments (continued)

Hedging arrangements

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

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

Fair value hedges

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

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

Cash flow hedges

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

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical judgment in applying accounting policies

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

Property lease classification - the Group as lessor

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

Classification of capital contributions

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

<u>Calculation of loss allowance</u>

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

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

The ECL model was reassessed for the impact of COVID-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. which may likely lead to increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 *Financial Instruments*. This is mainly due to increase in the counterparty risk (risk of default) of tenants and customers. The Group has recognised allowance for ECL on its trade and other receivables for the year ended 31 December 2020 amounting to AED 28,688 thousand (31 December 2019: AED 59,716 thousand) and total allowance for ECL amounted to AED 122,355 thousand (31 December 2019: AED 128,861 thousand). The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

<u>Fair value of investment properties and investment properties under development</u>

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

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

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 (continued)

The key assumptions used are as follows:

	Range %
Capitalisation rates	6.5 – 11.5

As detailed in note 30, COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including UAE with real estate market having experienced significant lower levels of transaction volume and liquidity. Therefore, in arriving at fair values estimates of the investment properties as at 31 December 2020, the third-party valuers have used their market knowledge and professional judgment and have attached less weight to previous market evidence for comparison purposes. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating fair values of investment properties.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

5 Property, plant and equipment

	Land and buildings AED '000	Furniture and fixtures AED '000	Plant and machinery AED '000	Office equipment AED '000	Computers AED '000	Motor vehicles AED '000	Leasehold improvements AED '000	Labour camps AED '000	Capital work in progress AED '000	Total AED '000
Cost										
At 1 January 2019	5,233,139	385,417	400,509	42,567	42,965	2,313	48,680	24,949	32,265	6,212,804
Additions	28,622	15,080	-	7,010	8,162	3,274	-	2,211	30,561	94,920
Disposals	-	(1,003)	-	(2,325)	-	-	-	-	-	(3,328)
At 1 January 2020	5,261,761	399,494	400,509	47,252	51,127	5,587	48,680	27,160	62,826	6,304,396
Additions	751	6,066	15,591	2,040	6,089	363	3	-	12,257	43,160
Disposals on sale of businesses (note 29)	(5,262,512)	(405,544)	(416,100)	(47,131)	(57,216)	(5,600)	(48,683)	-	(75,083)	(6,317,869)
Disposals	-	-	-	(919)	-	(350)	-	-	-	(1,269)
At 31 December 2020	**-**	**16**	**-**	**1,242**	**-**	**-**	**-**	**27,160**	**-**	**28,418**
Accumulated depreciation and impairment losses										
At 1 January 2019	2,919,024	354,808	-	29,685	34,905	1,453	2,527	-	-	3,342,402
Charge for the year	126,200	11,298	27,707	9,367	5,271	838	10,984	2,936	-	194,601
Reversal of impairment	(46,826)	-	-	-	-	-	-	-	-	(46,826)
Disposals	-	(1,003)	-	(2,325)	-	-	-	-	-	(3,328)
At 1 January 2020	2,998,398	365,103	27,707	36,727	40,176	2,291	13,511	2,936	-	3,486,849
Charge for the year	126,824	11,533	26,744	7,875	6,304	1,108	10,916	1,882	-	193,186
Impairment	-	-	-	-	-	-	-	6,642	-	6,642
Disposals on sale of businesses (note 29)	(3,125,222)	(376,636)	(54,451)	(43,683)	(46,480)	(3,049)	(24,427)	-	-	(3,673,948)
Disposals	-	-	-	(919)	-	(350)	-	-	-	(1,269)
At 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,460**	**-**	**11,460**
Carrying amount										
31 December 2020	**-**	**16**	**-**	**1,242**	**-**	**-**	**-**	**15,700**	**-**	**16,958**
At 31 December 2019	2,263,363	34,391	372,802	10,525	10,951	3,296	35,169	24,224	62,826	2,817,547

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

5 Property, plant and equipment (continued)

During the year, the Group sold its hospitality and leisure business segment to the Ultimate Parent and its affiliate (note 29).

During the year, in addition to the annual impairment review and due to the impact of COVID-19 as detailed in note 30 which resulted in lower occupancy rates and closure of hospitality and leisure properties in line with government mandated lockdown restrictions, the Group carried out a review of recoverable value of its hospitality and leisure properties, and labour camp classified under property, plant and equipment. The review led to impairment of AED 6,642 thousand on labour camps (2019: net reversal of impairment of AED 46,826 thousand for hotel and hospitality properties), which has been recorded in profit or loss. The recoverable value of labour camps is based on fair value less cost to sell determined by independent valuer and has been determined by reference to the discounted cash flow method using a discount rate of 16.0% (2019: 16.0%).

The Group conducted a sensitivity analysis for all its labour comps classified under property, plant and equipment. The sensitivity has been conducted on discount rate. Based on this sensitivity analysis a decrease in the discount rate by 50bps would result recoverable value of AED 16,100 thousand or 2.5% increase in the recoverable value, whilst an increase in the discount rate by 50bps would result recoverable value AED 15,350 thousand or 2.3% decrease in the recoverable value.

As detailed in note 30, COVID-19 continues to impact many aspects of daily life and the global economy. Travel, movement and operational restrictions have been implemented by many countries including UAE with real estate market having experienced significant lower levels of transaction volume and liquidity. Therefore, in arriving at fair values less costs to sell estimates of the labour camps as at 31 December 2020, the independent valuers have used their market knowledge and professional judgment and have attached less weight to previous market evidence for comparison purposes. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating fair values less costs to sell.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

6 Intangible assets

	Customer contracts AED '000	Computer software AED '000	Total AED '000
Cost			
At 1 January 2019	174,420	3,444	177,864
Additions	-	1,295	1,295
At 1 January 2020	174,420	4,739	179,159
Additions	-	605	605
Derecognised on disposal of subsidiaries (note 29)	(174,420)	(5,344)	(179,764)
At 31 December 2020	-	-	-
Accumulated amortisation			
At 1 January 2019	-	2,287	2,287
Charge for the year	8,055	619	8,674
At 1 January 2020	8,055	2,906	10,961
Charge for the year	7,746	606	8,352
Derecognised on disposal of subsidiaries (note 29)	(15,801)	(3,512)	(19,313)
At 31 December 2020	-	-	-
Carrying amount			
31 December 2020	-	-	-
At 31 December 2019	166,365	1,833	168,198

7 Investment properties

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

	2020			2019		
	Completed properties AED '000	**Properties under development AED '000**	**Total AED '000**	Completed properties AED '000	Properties under development AED '000	Total AED '000
Balance at the beginning of the year	**16,294,268**	-	**16,294,268**	15,122,863	393,967	15,516,830
Addition during the year	**150,259**	-	**150,259**	1,171,697	51,724	1,223,421
Disposals	**(74,473)**	-	**(74,473)**	(271,080)	-	(271,080)
Transfer to completed properties	-	-	-	445,691	(445,691)	-
Fair value loss, net	**(255,516)**	-	**(255,516)**	(174,903)	-	(174,903)
Balance at the end of the year	**16,114,538**	-	**16,114,538**	16,294,268	-	16,294,268

All investment properties are located in the United Arab Emirates.

Investment properties include right-of-use assets with respect to leases of plots of land of AED 258,031 thousand (2019: AED 300,238 thousand). The average lease term is 25 years. There are no extension or termination options on these leases.

Additions during the year include transfers of investment properties by the Ultimate Parent amounting to AED 99,000 thousand (2019: AED 1,111,480 thousand).

Except for certain investment properties of the Group which are pledged as security against bank borrowings, the Group has no restrictions on the realisability of its investment properties (note 15).

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

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

7 Investment properties (continued)

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

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

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

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

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,390,514 thousand (2019: AED 1,464,282 thousand). Direct operating cost relating to these properties amounted to AED 283,603 thousand (2019: AED 308,687 thousand).

The investment properties as at 31 December 2020 consist of the following broad categories:

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of AED 255,516 thousand (2019: loss of AED 174,903 thousand) and are presented in profit or loss under the line items 'fair value loss on investment properties, net'.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment properties (completed and under development) held at the end of the reporting period. During the year, the Group also sold residential investment properties and realised a net gain of AED 1,987 thousand (2019: AED 23,856 thousand) that is recorded in profit or loss under "gain on disposal of investment properties".

8 Inventories

	2020 **AED'000**	2019 AED'000
Operating inventories	**-**	12,004

Operating inventories represented inventories relating to the Group's hospitality and leisure segment that was sold/assigned to the Ultimate Parent and its affiliate during the year (note 29).

9 Trade and other receivables

	2020 **AED'000**	2019 AED'000
Trade receivables	**574,829**	490,903
Less: allowance for expected credit loss	**(123,390)**	(128,861)
	451,439	362,042
Advances and prepayments	**34,815**	72,754
Accrued income	**30,605**	51,983
Other receivables	**7,299**	16,392
	524,158	503,171

As at 31 December 2020, 28% of the trade receivables (2019: 29% of the trade receivables) are due from its top five customers.

The ageing of non-impaired receivables is as follows:

	2020 **AED'000**	2019 AED'000
<u>Ageing of trade receivables</u>		
Not past due	**276,914**	253,391
Past due (up to 180 days)	**111,427**	43,779
Past due (more than 180 days)	**63,098**	64,872
	451,439	362,042

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

9 Trade and other receivables (continued)

Movement during the year in allowance of expected credit loss:

	2019	2019
	AED'000	AED'000
Balance at 1 January	**128,861**	178,446
Acquired with assets transferred	**-**	-
Charge for the year	**28,688**	59,716
Write-off	**(34,159)**	(109,301)
Balance at 31 December	**123,390**	128,861

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

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

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate. During the year, the Group reassessed the ECL model for the impact of COVID-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. This was mainly due to increase in the counterparty risk (risk of default) of tenants and customers.

If the ECL rates on each time bucket had been 5% higher or lower as of 31 December, the loss allowance on trade receivables would have been higher or lower as follows:

	2020	2019
	AED'000	AED'000
Not past due	**-**	1,076
Past due (up to 180 days)	**-**	2,630
Past due (more than 180 days)	**6,169**	2,737
	6,169	6,443

10 Cash and cash equivalents

	2020	2019
	AED '000	AED '000
Cash and bank balances	**559,973**	348,145
Short term deposits held with banks	**218,028**	780,338
Cash and bank balances	**778,001**	1,128,483
Short term deposits with original maturities greater than three months	**(152,182)**	(70,000)
Restricted bank balances	**-**	(40)
Cash and cash equivalents	**625,819**	1,058,443

As at 31 December 2020, certain bank accounts are in the name of the Ultimate Parent.

The interest rate on term deposits ranges from 0.85% to 1.1% (2019: 2.22% to 2.50%) per annum.

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

11 Share capital

Share capital comprises 1,000 (2019: 1,000) authorised, issued and fully paid shares of AED 1 each.

12 Reserves

Statutory reserve

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

Cash flow hedging reserve

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

13 Capital contributions

	2020	2019
	AED'000	AED'000
At 1 January	**11,976,642**	10,987,708
Repayment of capital contributions (note 31)	**(116,067)**	-
Drawdown of corporate loan from the Ultimate Parent	**-**	(316,746)
Settlement of corporate loan from the Ultimate Parent	**968,720**	75,960
Transfer of properties and related working capital	**60,354**	1,177,996
Sale of hospitality and leisure business segment to the Ultimate Parent and its affiliate (note 29)	**(2,497,643)**	-
Sale of subsidiaries to the Ultimate Parent (note 29)	**(913,200)**	-
Other movements (i)	**(2,662)**	51,724
31 December	**9,476,144**	11,976,642

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

(i) Other movements in the current year mainly represent expenses paid on behalf of the Ultimate Parent.

14 Non-convertible sukuk

Sukuk launched in 2018:

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

14 Non-convertible sukuk (continued)

Sukuk launched in 2019:

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

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

15 Bank borrowings

	Outstanding amount						
	Current	**Non-current**	**Total**	**Security**	**Interest rate**	**Maturity**	**Purpose**
	AED'000	**AED'000**	**AED'000**				
31 December 2020:							
Term loan	**500,000**	-	**500,000**	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Term loan	-	**400,000**	**400,000**	Secured	relevant EIBOR + 1.00%	August 2023	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving loan	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.00%	March 2025	General corporate purpose
Unamortised transaction costs	-	**(5,436)**	**(5,436)**				
Accrual for interest and profit	**5,907**	-	**5,907**				
	505,907	**1,894,564**	**2,400,471**				
31 December 2019:							
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Term loan	-	400,000	400,000	Secured	relevant EIBOR + 1.00%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Unamortised transaction costs	-	(7,226)	(7,226)				
Accrual for interest and profit	8,907	-	8,907				
	8,907	1,892,774	1,901,681				

Certain bank borrowings are secured in the form of mortgage over operating assets (AED 3,271,170 thousand) and carry a net worth covenant.

The Group did not repay any loan in 2020 (2019: AED 400,000 thousand).

16 Lease liabilities

Group as a lessee

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

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

	2020	2019
	AED'000	AED'000
Year 1	**36,303**	51,651
Year 2	**30,157**	30,315
Year 3	**31,504**	30,342
Year 4	**31,880**	31,771
Year 5	**31,906**	31,801
Onwards	**199,512**	228,489
Balance at the end of the year	**361,262**	404,369
Less: unearned interest	**(120,328)**	(134,036)
	240,933	270,333
Non-current	**210,677**	224,584
Current	**30,526**	45,749

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

The following are the amounts recognised in profit or loss:

	2020	2019
	AED'000	AED'000
Unwinding of interest expense on lease liabilities during the year (note 20)	**10,566**	10,547

The Group had total cash outflows for leases of AED 36,006 in 2020 (2019: AED 37,243 thousand). The Group did not have major non-cash additions to right-of-use assets and lease liabilities during 2020 and 2019.

17 Derivative financial instruments

The Company entered into floating to fixed interest rate swaps to partially hedge its interest rate risk in relation to its floating rate borrowings. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined counterparty banks by discounting the future cash flows using the applicable yield curves derived from observable interest rates. As per the terms of the contracts, the Company's floating interest rate payments relating to a notional amount of AED 183,675 thousand of the borrowings are at a fixed rate in exchange for the bank paying 3 month USD LIBOR. The fair values of these interest rate swaps are presented below:

	31 December 2020		31 December 2019	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial liabilities – interest rate swaps	**13,675**	**Level 2**	7,423	Level 2

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships. Refer note 23.5(b) for disclosures related to recent interest rate benchmark reforms.

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

Maturity profile	**Average contracted fixed interest rate**		**Notional amount**		**Carrying amount of the hedging instrument - liability**	
	2020	2019	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
2 to 5 years	**2.73%**	2.73%	**183,675**	183,675	**(13,675)**	(7,423)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

17 Derivative financial instruments (continued)

Movement in the cash flow hedging reserve was as following:

	2020 **AED'000**	2019 AED'000
Balance at the beginning of the year	**(35,441)**	61,404
Cumulative fair value loss arising on hedging instruments during the year classified under cash flow hedges	**(6,252)**	(87,484)
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition (note 20)	**6,998**	(9,361)
Balance at the end of the year	**(34,695)**	(35,441)

18 Trade and other payables

	2020 **AED'000**	2019 AED'000
Trade payables	**30,231**	84,985
Deferred income	**91,610**	138,963
Retention payable	**19,193**	49,020
Accruals	**157,501**	321,103
Other payables	**105,842**	131,949
	404,377	726,020

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

19 Staff costs

The Group does not have any employees. From 1 July 2018 onwards, these services were provided by the Ultimate Parent under the terms of the asset management and services agreement (note 21) for which they were compensated through a management fee.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

20 Finance costs

	2020 AED'000	2019 AED'000
Finance costs on bank borrowings, non-convertible sukuk and corporate loan from the Ultimate Parent (i)	**248,531**	298,937
Unwinding of finance cost on operating lease liabilities (note 22)	**10,566**	10,547
	259,097	309,484
Cumulative loss/(gain) arising on hedging instruments reclassified to profit or loss upon derecognition (note 17)	**6,998**	(9,361)
	266,095	300,123

21 Transactions and balances with related parties

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

21 Transactions and balances with related parties (continued)

Related party balances:

	2020 **AED'000**	2019 AED'000
Ultimate Parent		
Corporate loan from the Ultimate Parent	**-**	1,575,000
Due to the Ultimate Parent	**77,149**	-
Due from the Ultimate Parent (i)	**-**	50,405
Other related parties (ii)		
Trade and other receivables	**12,251**	20,951
Trade and other payables	**4,999**	1,864
Government of Abu Dhabi:		
Trade and other receivables	**11,626**	48,376

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

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

Outstanding bank borrowings amounting to AED 897,708 thousand (2019: AED 894,551 thousand) are due to banks ultimately controlled by the Government of Abu Dhabi. Finance cost on these bank borrowings amounted to AED 27,371 thousand (2019: AED 56,318 thousand).

Deposits and bank balances amounting to AED 137,556 thousand (2019: AED 304,984 thousand) are kept with banks ultimately controlled by the Government of Abu Dhabi. Finance income on these deposits amounted to AED 2,161 thousand (2019: AED 7,921 thousand).

Under the Facility Agreement executed on 2 September 2018, the Ultimate Parent has provided a corporate loan facility of AED 3,000,000 thousand with a termination date at 7 years from the date of utilisation. The loan carries interest at 1% plus 3 month EIBOR. The Company repaid entire utilised amount during the year.

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

21 Transactions and balances with related parties (continued)

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

	2020 AED'000	2019 AED'000
Ultimate Parent and its affiliates		
Revenue	**9,030**	8,620
Finance costs	**30,604**	96,988
Management fee (i)	**94,410**	93,581
Gain on disposal of hospitality and leisure business segment (note 29)	**228,341**	-
Gain on disposal of cooling assets business segment (note 29)	**318,543**	-
Other related parties (ii)		
Revenue	**40,660**	29,743
Direct costs	**70,406**	20,552
Government of Abu Dhabi		
Revenue	**346,145**	345,198

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

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

During the year, the Ultimate Parent transferred properties and its related working capital with a net value of AED 99,000 thousand (2019: properties, its related working capital and businesses with a net value of AED 1,229,720 thousand).

22 Operating lease commitments

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

The Group as lessor

	2020 **AED'000**	2019 AED'000
Within one year	**752,184**	704,262
In the second to fifth year	**1,788,253**	1,748,362
After five years	**1,500,663**	1,424,734
	4,041,100	3,877,358

23 Financial instruments

23.1 Significant accounting policies

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

23.2 Categories of financial instruments

	2020 **AED'000**	2019 AED'000
Financial assets		
Financial assets measured at amortised cost	**1,269,646**	1,558,899
Due from the Ultimate Parent	**-**	50,405
Financial liabilities		
Financial liabilities measured at amortised cost	**6,813,326**	8,209,149
Due to the Ultimate Parent	**77,149**	-
Derivative financial instruments	**13,675**	7,423

23 Financial instruments (continued)

23.3 Financial risk management

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

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

23.4 Capital management

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

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

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

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

The Group monitors its cost of debt on a regular basis. At 31 December 2020, the weighted average cost of debt was 3.22% (2019: 3.63%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created. The Group has a policy of maintaining gross debt as a percentage of the revenue producing asset portfolio value of between 35% and 40%.

The covenants of four (2019: three) borrowing arrangements require the Group maintaining a minimum tangible net worth of AED 4 billion.

23.5 Market risk management

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

23 Financial instruments (continued)

23.5 Market risk management (continued)

a) Foreign currency risk management

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

There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar.

b) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

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

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

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

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

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

23 Financial instruments (continued)

23.5 Market risk management (continued)

b) Interest rate risk management (continued)

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

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

Hedge Type	Instrument Type	Maturing in	Nominal	Hedged from
Interest Rate Swap Agreement	Receives 3-month LIBOR pays fixed interest rate swap	24 Dec 2023	USD 50,000,000	3-month LIBOR

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group’s profit for the year ended 31 December 2020 would increase/decrease by AED 19,983 thousand (2019: increase/decrease by AED 47,168 thousand).

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23 Financial instruments (continued)

23.6 Credit risk management

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

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

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

Concentration of credit risk
Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 9.

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

23.7 Liquidity risk management

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23 Financial instruments (continued)

23.7 Liquidity risk management (continued)

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

	<1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
31 December 2020						
Financial liabilities						
Non-interest bearing instruments	**6,840**	**224,708**	**81,218**	**-**	**-**	**312,766**
Non-convertible sukuk	**-**	**36,423**	**-**	**-**	**3,673,500**	**3,709,923**
Variable interest rate instruments	**3,448**	**2,459**	**500,000**	**1,900,000**	**-**	**2,405,907**
Operating lease liabilities	**-**	**25,230**	**5,027**	**92,788**	**117,889**	**240,933**
Derivative financial instruments	**-**	**-**	**-**	**13,675**	**-**	**13,675**
Total	**10,289**	**288,820**	**586,245**	**2,006,463**	**3,791,389**	**6,683,204**
31 December 2019						
Financial liabilities						
Non-interest bearing instruments	7,674	456,514	122,868	-	-	587,056
Non-convertible sukuk	-	22,538	13,839	-	3,673,500	3,709,877
Variable interest rate instruments	3,752	5,155	-	1,900,000	1,575,000	3,483,907
Operating lease liabilities	24,324	2,692	18,733	224,584	-	270,333
Derivative financial instruments	-	-	-	7,423	-	7,423
Total	35,750	486,899	155,440	2,132,007	5,248,500	8,058,596

24 Fair value of financial instruments

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

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

	2020		2019	
	Gross carrying amount AED'000	**Fair value AED'000**	Gross carrying amount AED'000	Fair value AED'000
Financial liabilities at amortised cost				
Sukuk No.1 (note 14)	**1,837,805**	**2,058,611**	1,832,969	1,989,274
Sukuk No.2 (note 14)	**1,833,302**	**1,991,974**	1,831,521	1,887,555

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

25 Segment information

25.1 Operating segments

During the year, the Group reorganised its primary activities into five major segments following developments in key responsibilities of management and internal management reporting. Comparative periods were restated accordingly.

For internal management reporting purposes, the individual investment properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved with retail, residential and commercial investment properties operating segments. The other two operations, namely hospitality and leisure segment and cooling assets segments, were discontinued during the year (note 29) however each of these operations was monitored for internal management reporting purposes as a separate operating segment until the date of disposal. There is no aggregation of operating segments into any reportable segments.

Consequently, the Group has presented five reportable segments for the current and comparative periods which are as follows:

- Residential – acquires and leases residential properties
- Retail – acquires and leases shopping malls and residential / commercial retail spaces
- Commercial – acquires and leases offices
- Hospitality and leisure – hotels and leisure activities
- Cooling assets – cooling operations

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.

In keeping with the requirements of IFRS 8 (management approach), this reorganisation led to a restatement in the segment report for all comparable periods. Based on the information reported to the Group's senior management for the allocation of resources, marketing strategies, management reporting lines and measurement of performance of business, the reportable segments under IFRS 8 were identified according to the structure of investment activities and services to customer groups.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by each segment without allocation of 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 2020 (continued)

25 Segment information

25.1 Operating segments (continued)

Segment information about the Group's continuing operations is presented below. Two operations (the hospitality and leisure and cooling assets) were discontinued in the current year. The segment information reported on the below table does not include any amounts for these discontinued operations, except for the segment profit from discontinued operations, which are described in more detail in note 29.

31 December 2020

	Investment properties					
	Residential AED'000	**Retail AED'000**	**Commercial AED'000**	**Hospitality and leisure AED'000**	**Cooling assets AED'000**	**Total AED'000**
Revenue from external customers						
Revenue and rental income (i)	553,831	580,744	367,626	-	-	**1,502,201**
Direct costs						
Cost of revenue excluding service charge	(83,580)	(67,616)	(20,720)	-	-	**(171,916)**
Service charge expenses	-	(94,781)	(16,906)	-	-	**(111,687)**
Gross profit	470,251	418,347	330,000	-	-	**1,218,598**
Management fee charged by the Ultimate Parent	(27,635)	(36,655)	(16,226)	-	-	**(80,516)**
Depreciation and amortisation	-	-	(1,882)	-	-	**(1,882)**
Provisions, impairments and write-downs, net	-	(10,361)	(24,969)	-	-	**(35,330)**
Fair value (loss)/gain on investment properties, net	(270,049)	96,459	(81,926)	-	-	**(255,516)**
Gain on disposal of investment properties	1,775	-	212	-	-	**1,987**
Finance cost	(6,817)	(2,673)	(1,111)	-	-	**(10,601)**
Finance income	-	2	40	-	-	**42**
Other income	1,450	-	4,498	-	-	**5,948**
Segment profit from continuing operations	168,975	465,119	208,636	-	-	**842,730**
Segment profit from discontinued operations (note 29)	-	-	-	85,952	317,849	**403,801**
Finance cost						**(255,494)**
Finance income						**5,837**
Profit for the year after discontinued operations						**996,874**

(i) Revenue and rental income include contingent rental income on investment properties of AED 26,005 thousand and services charges of AED 111,687 thousand.

There are no sales between segments.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

25 Segment information (continued)

25.1 Operating segments (continued)

31 December 2019 (as restated)

	Investment properties					
	Residential AED'000	Retail AED'000	Commercial AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Total AED'000
Revenue from external customers						
Revenue and rental income (i)	549,604	679,169	346,504	-	-	1,575,277
Direct costs						
Cost of revenue excluding service charge	(84,976)	(98,575)	(14,141)	-	-	(197,692)
Service charge expenses	-	(91,567)	(19,428)	-	-	(110,995)
Gross profit	464,628	489,027	312,935			1,266,590
Management fee charged by the Ultimate Parent	(27,198)	(35,478)	(16,113)	-	-	(78,789)
Depreciation and amortisation	-	-	(2,936)	-	-	(2,936)
Provisions and reversal of impairments	-	(33,285)	(26,431)	-	-	(59,716)
Gain on disposal of investment properties	17,690	-	6,166	-	-	23,856
Fair value loss on investment properties, net	(2,472)	(80,459)	(91,972)	-	-	(174,903)
Finance cost	(7,271)	(2,682)	(631)	-	-	(10,584)
Finance income	-	5	63	-	-	68
Segment profit from continuing operations	445,377	378,128	181,081	-	-	963,586
Segment loss from discontinued operations (note 29)	-	-	-	(2,963)	(2,523)	(5,486)
Finance cost						(289,539)
Finance income						8,032
Profit for the year after discontinued operations						676,593

(i) Revenue and rental income include contingent rental income on investment properties of AED 26,846 thousand and services charges of AED 110,995 thousand.

There are no sales between segments.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

25 Segment information (continued)

25.1 Business segments (continued)

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

	Investment properties						
	Residential AED'000	Retail AED'000	Commercial AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2020							
Assets	**5,645,683**	**7,585,044**	**3,414,799**	**-**	**-**	**788,129**	**17,433,655**
Liabilities	**326,647**	**347,658**	**117,520**	**-**	**-**	**6,203,933**	**6,995,758**
Capital expenditures	**-**	**-**	**-**	**29,110**	**14,050**	**-**	**43,160**
Project expenditures	**9,325**	**134,722**	**6,212**	**-**	**-**	**-**	**150,259**
As at 31 December 2019 (as restated)							
Assets	5,959,777	7,243,367	3,437,119	2,504,355	645,296	1,184,162	20,974,076
Liabilities	349,701	386,861	132,425	214,953	58,438	7,213,155	8,355,533
Capital expenditures	-	-	-	94,377	1,838	-	96,215
Project expenditures	822,042	147,802	253,577	-	-	-	1,223,421

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

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

25 Segment information (continued)

25.2 Geographical segments

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

25.3 Disaggregation of revenue

	2020 AED'000	2019 AED'000
Continuing operations		
Rental income	**1,390,514**	1,464,281
Service charges – over time	**111,687**	110,995
Discontinued operations		
Hospitality and leisure		
- over time	**182,029**	352,513
- at a point in time	**215,097**	321,355
Cooling assets – over time	**86,653**	90,573
Total	**1,985,980**	2,339,717

26 Non-cash transactions

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

	2020 AED'000	2019 AED'000
Addition to investment properties against capital contributions and corporate loan from the Ultimate Parent (note 7)	**99,000**	1,163,204
Settlement of /(addition in) corporate loan from the Ultimate Parent against capital contributions (note 13)	**968,720**	(240,786)
Disposal of subsidiaries against capital contributions from the Ultimate Parent (note 29)	**913,200**	-
Disposal of hospitality and leisure business segment against capital contributions from the Ultimate Parent (note 29)	**2,497,643**	-

27 Reconciliation of liabilities arising from financing activities

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

	Balance at 1 January 2020 AED'000	**Financing cash flows (i) AED'000**	**Fair value adjustments AED'000**	**Finance costs incurred AED'000**	**Others (ii) AED'000**	**Balance at 31 December 2020 AED'000**
Bank borrowings, sukuk and corporate loan from the Ultimate Parent (i)	7,141,172	(375,513)	-	241,813	(935,894)	6,071,578
Lease liabilities	270,333	(36,006)	-	10,566	(3,960)	240,933
Derivative financial instruments	7,423	-	6,252	-	-	13,675
	7,418,928	**(411,519)**	**6,252**	**252,379**	**(939,854)**	**6,326,186**

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

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

28 Non-controlling interests

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

Name of subsidiary	**Place of incorporation and principal place of business**	**Proportion of ownership interests and voting rights held by non-controlling interests**		**Profit/(loss) for the year allocated to non-controlling interests**		**Accumulated non-controlling interests**	
		2020 (%)	2019 (%)	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
Saadiyat Cooling LLC ("SC LLC")	UAE	**-**	15	**427**	(121)	**-**	68,407

28 Non-controlling interests (continued)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations for the year ended 31 December 2019. During the year, the Group derecognised non-controlling interests on disposal of Saadiyat Cooling LLC (note 29).

	2019 AED'000
Assets	496,319
Liabilities	(40,273)
Net assets	456,046
Revenue	57,276
Expenses	(58,082)
Loss for the year	(806)
Net cash inflows from operating activities	33,694
Net cash outflows from investing activities	(2,979)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

29 Discontinued operations

29.1 Disposal of cooling assets business segment

On 17 December 2020, the Group entered into an assignment agreement ("Assignment Agreement") with the Ultimate Parent and irrevocably assigned all its ownership rights and control of Saadiyat District Cooling LLC (a wholly owned subsidiary) as at the date of the Assignment Agreement. The assignment was completed on 17 December 2020, on which date control of Saadiyat District Cooling LLC passed to the Ultimate Parent.

On 17 December 2020, the Group entered into an addendum to assignment agreement ("Addendum 2") with the Ultimate Parent and cancelled the original assignment agreement dated 31 December 2018 in respect of Saadiyat Cooling LLC (a 85% owned subsidiary) as at the date of the Addendum 2. The cancellation of original assignment agreement in respect of Saadiyat Cooling LLC completed on 17 December 2020, on which date control of Saadiyat Cooling LLC passed to the Ultimate Parent.

Given the infrastructure nature, the Saadiyat Cooling LLC and Saadiyat District Cooling LLC (together, the "Cooling Entities") were non-core to the Group's operations and required specialised skills and expertise to operate and hence serve a case for opportunistic exit. Accordingly, the Cooling Entities were assigned to the Ultimate Parent.

The Cooling Entities constituted all of the Group's cooling asset operating segment and represented a separate major line of business. Accordingly, transfer of the Cooling Entities is classified as a discontinued operation in the consolidated statement of profit or loss.

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

	Saadiyat Cooling LLC AED'000	Saadiyat District Cooling LLC AED'000	Total AED'000
Property, plant and equipment (note 5)	**312,460**	**101,807**	**414,267**
Intangible assets (note 6)	**83,370**	**75,249**	**158,619**
Trade and other receivables	**41,841**	**37,848**	**79,689**
Cash and bank balances	**54,592**	**9,184**	**63,776**
Trade and other payables	**(33,373)**	**(19,487)**	**(52,860)**
Non-controlling interests	**(68,834)**	**-**	**(68,834)**
Net assets disposed of	**390,056**	**204,601**	**594,657**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

29 Discontinued operations (continued)

29.1 Disposal of cooling assets business segment (continued)

Gain on disposal of subsidiaries were as follows

	Saadiyat Cooling LLC AED'000	**Saadiyat District Cooling LLC AED'000**	**Total AED'000**
Total consideration (recorded under capital contributions)	**611,200**	302,000	**913,200**
Net assets disposed of	**(390,056)**	**(204,601)**	**(594,657)**
Gain on disposal	**221,144**	**97,399**	**318,543**
Net cash flow arising on disposal:			
Cash and cash equivalents disposed of	**(54,592)**	**(9,184)**	**(63,776)**

The results of the discontinued operations, which have been included in the profit for the year are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current year.

	Period ended 31 December 2020 AED'000	Year ended 31 December 2019 AED'000
Revenue and rental income	**86,653**	90,573
Expenses	**(87,347)**	(93,096)
Loss for the year	**(694)**	(2,523)
Gain on disposal of subsidiaries	**318,543**	**-**
Profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**317,849**	(2,523)

During the year, the Cooling Entities contributed net operating cash outflows of AED 57 million (2019: AED 39.5 million) to the Group's net operating cash flows, paid AED 77.8 million (2019: AED 1.8 million) in respect of investing activities and paid AED 60.3 million (2019: nil) in respect of financing activities.

A gain of AED 318.5 million arose on the disposal of the Cooling Entities, being the difference between the consideration and the carrying amount of the Cooling Entities' net assets and attributable goodwill. The consideration represented fair value of the Cooling Entities.

29 Discontinued operations (continued)

29.2 Disposal of hospitality and leisure business segment

On 22 December 2020, the Group entered into an addendum to assignment agreement ("Addendum") with the Ultimate Parent and cancelled the original assignment agreement dated 31 December 2018 in respect of the Westin and Abu Dhabi Golf Club as at the date of the Addendum. The cancellation of original assignment agreement in respect of the Westin and Abu Dhabi Golf Club completed on 22 December 2020, on which date ownership and control of operations of the Westin and Abu Dhabi Golf Club passed to the Ultimate Parent.

The assets and liabilities of the Westin and Abu Dhabi Golf Club at the date of disposal were as follows:

	AED'000
Property, plant and equipment (note 5)	**86,999**
Intangible assets (note 6)	**122**
Trade and other receivables	**27,617**
Cash and bank balances	**13,405**
Inventories	**1,938**
Advances and security deposits	**(2,003)**
Trade and other payables	**(33,560)**
Net assets disposed of	**94,518**
Total consideration (recorded under capital contributions)	**131,456**
Gain on disposal	**36,938**

On 31 December 2020, the Group entered into the following agreements with the Ultimate Parent or its affiliate in respect of its remaining hospitality and leisure operations:

- Sale and purchase agreement with Aldar Hotels & Hospitality Sole Proprietorship LLC (a wholly owned subsidiary of the Ultimate Parent) in respect of the sale and purchase of a portfolio of hospitality assets covering Centro Yas Island, Yas Rotana, Crowne Plaza, Staybridge Suites, Park Inn, Radisson Blu Hotel, W Abu Dhabi Yas Island, Yas links Golf Course, Saadiyat Beach Golf Club for a total consideration of AED 2,163 million;
- Sale and purchase agreement with the Ultimate Parent and Aldar Hotels & Hospitality Sole Proprietorship LLC in respect of the sale and purchase of Tilal Liwa Hotel for a total consideration of AED 70 million; and
- Assignment agreement with Aldar Hotels & Hospitality Sole Proprietorship LLC in respect of the sale and purchase of Eastern Mangroves Hotel & Spa for a total consideration of AED 134 million.

The title of the above properties was transferred to the buyer/assignee as of the date of the agreement upon satisfactorily completion of any substantive conditions precedent. Accordingly, the control of these businesses and assets were passed to the buyer/assignee on 31 December 2020.

29 Discontinued operations (continued)

29.2 Disposal of hospitality and leisure business segment (continued)

The carrying value of assets and liabilities of the above properties at the date of disposal were as follows:

	AED'000
Property, plant and equipment (note 5)	**2,142,659**
Intangible assets (note 6)	**1,095**
Trade and other receivables	**56,976**
Cash and bank balances	**114,927**
Inventories	**7,792**
Advances and security deposits	**(9,576)**
Trade and other payables	**(139,089)**
Net assets disposed of	**2,174,784**
Total consideration (recorded under capital contributions)	**2,366,187**
Gain on disposal	**191,403**

The hospitality and leisure assets were sold or assigned to the Ultimate Parent or its affiliate for as part of the Ultimate Parent's plan to consolidate all the hospitality and leisure operations under one legal entity.

The sale or assignment of the above hospitality and leisure operations in December 2020 constituted all of the Group's hospitality and leisure operations which represented a separate major line of business. Accordingly, sale of assignment of hospitality and leisure operations is classified as a discontinued operation in the consolidated statement of profit or loss.

The results of the discontinued operations, which have been included in the profit for the year are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current year.

	2020	2019
	AED'000	AED'000
Revenue and rental income	**397,126**	673,867
Expenses	**(539,515)**	(676,830)
Loss for the year	**(142,389)**	(2,963)
Gain on disposal of hospitality and leisure business segment	**228,341**	-
Profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**85,952**	(2,963)

29 Discontinued operations (continued)

29.2 Disposal of hospitality and leisure business segment (continued)

During the year, the hospitality and leisure business segment contributed AED 89.4 million (2019: AED 100.7 million) to the Group's net operating cash flows, paid AED 157.4 million (2019: AED 94.4 million) in respect of investing activities and paid AED 113.5 million (2019: nil) in respect of financing activities.

A gain of AED 228.3 million arose on the disposal of the hospitality and leisure business segment, being the difference between the consideration and the carrying amount of the hospitality and leisure business segment' net assets. The consideration represented respective fair value of the hospitality and leisure properties.

30 Impact of COVID-19 pandemic

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

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

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

30 Impact of COVID-19 pandemic (continued)

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

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

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

31 Subsequent events

Subsequent to the reporting period, the Board of Directors in their meeting held on 4 March 2021, recommended a cash dividend of AED 627 million (2019: AED 609 million) and repayment of capital contributions amounting to nil (2019: AED 116 million) to the Ultimate Parent for the year ended 31 December 2020. The dividend recommended by the Board for the year ended 31 December 2020 was approved by the Shareholders of the Company in the General Assembly held on 4 March 2021.

32 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 4 March 2021.