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 Properties PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The financial results of the Group have been presented on page 135 of these consolidated financial statements.

DIRECTORS

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

RELEASE

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

for the Board of Directors

Mohamed Al Mubarak
Chairman
14 February 2021

Independent Auditor's Report

To the shareholders of Aldar Properties PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Properties PJSC (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 Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

To the shareholders of Aldar Properties PJSC (continued)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Key Audit Matters continued

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

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment property portfolio amounted to AED 16,463 million as at 31 December 2020 (2019: AED 16,782 million) and the net fair value loss recorded in the consolidated statement of profit or loss amounted to AED 400 million (2019: AED 375 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 the majority of these investment properties is performed using the income approach of valuation, while a residual valuation methodology has been used for investment properties under development. The Group's determination of fair value for the investment properties requires management to make significant estimates and assumptions related to 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. 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 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 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, a greater degree of uncertainty exists in estimating fair values of investment properties in comparison to a more active market. 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.	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 external valuers, and also involved our internal real estate valuation expert to review a sample of those properties, and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement. We have also evaluated the approach applied by the Group to measure the impact of COVID-19 on determination of fair value for investment properties and tested the impact of COVID-19 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.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of hotel properties classified under property, plant and equipment	
Hotel properties classified under property, plant and equipment had a carrying amount of AED 2,015 million as at 31 December 2020 (2019: AED 2,191 million) which represents 5% of total assets. The Group undertakes a review of indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount, which takes into account the fair value of the property under consideration, exceeds or is equal to its carrying amount. 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 the UAE with real estate market having experienced significant lower levels of transaction volume and liquidity. For hotel properties specifically, COVID-19 has impacted the operations in the form of government lockdowns, decreased occupancy and lower Revenue per Available Room, which resulted in an indicator of impairment for hotel properties being present. Consequently, an impairment assessment was performed. In arriving at fair value less costs to sell, 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, a greater degree of uncertainty exists in estimating fair values of hotel properties in comparison to a more active market. In the event that the recoverable amount of a hotel property is lower than its carrying amount, the Group recognises an impairment loss in its consolidated statement of profit or loss. We have identified the impairment assessment of hotel properties classified under property, plant and equipment as a key audit matter as the determination of fair value less costs to sell is based on level 3 valuation methodologies and requires management to make significant estimates in determining the recoverable amount of hotel properties classified as under property, plant and equipment. Refer to note 4 and 5 for disclosures relating to this matter.	We evaluated the design and implementation of controls in this area. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. We tested the data provided to the valuer by the Group, on a sample basis to satisfy ourselves of the accuracy of the information supplied to the valuers by management. We reviewed a sample of hotel properties valued by the external valuers, and involved our internal real estate valuation expert to review a sample of those hotel properties, and assessed whether the fair value less costs to sell of the hotel 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 COVID-19 on the determination of fair value less costs to sell for hotel properties and tested the impact on individual 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 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 impairment loss, if any. We assessed the disclosures made, in relation to this matter, to determine if they were in accordance with the requirements of IFRSs.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

Key Audit Matters continued

Key audit matter	How the matter was addressed in our audit
Revenue recognition for property development and sales	
Revenue recognition on property development and sales require significant judgements to be applied and estimates to be made. The Group assesses for each of its contracts with customers for property development and sales, whether to recognise revenue over time or at a point in time based on the consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right for payment related to performance completed at any time during the life of the contract as disclosed in Note 3.10 and Note 4 to the consolidated financial statements. Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period. Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgements made in assessing the timing of revenue recognition. Refer to note 4 for details about judgements applied and estimates made in determining the amount of revenue to be recognized.	We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of property development and sales. We tested the design, implementation and operating effectiveness of controls established by the Group over revenue recognition for property development and sales. We inspected a sample of contracts with customers for property development and sales and assessed management's identification of performance obligations and their determination of whether revenue should be recognised over time or at a point in time in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers by making reference to the terms and conditions specified in the contracts. We determined to what extent the resultant performance obligations had been satisfied through the inspection of supporting documentation. We examined approved project cost budgets for significant on-going real estate developments and reviewed the projects' completion percentages as a percentage of total costs incurred. For a sample of significant projects, we recalculated the amount of revenue to be recognised. We assessed the disclosures made in the consolidated financial statements in this area against the requirements of IFRSs.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), 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.

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.

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.

To the shareholders of Aldar Properties PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Company has maintained proper books of account;
- The financial information included in the Board of Directors' Report is consistent with the books of account and records of the Group;
- Note 3.3 reflects the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2020;
- Note 36 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- Note 41 reflects the disclosures relating to social contributions made during the year; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or, its Memorandum and Articles of Association 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 financial statements as at 31 December 2020:

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

Deloitte & Touche (M.E.)

Georges F. Najem
Registration No. 809
14 February 2021
Abu Dhabi
United Arab Emirates

At 31 December 2020

	Notes	2020 AED '000	2019 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,961,523**	3,504,590
Intangible assets and goodwill	6	**28,085**	192,223
Investment properties	7	**16,462,916**	16,782,476
Investment in associates and joint ventures	8	**123,889**	198,979
Financial assets at fair value through other comprehensive income ("FVTOCI")	9	**53,905**	55,202
Trade and other receivables	11	**238,321**	238,926
Total non-current assets		**19,868,639**	20,972,396
Current assets			
Lands held for sale	12	**4,788,652**	4,796,967
Development work in progress	13	**2,719,770**	2,546,972
Inventories	14	**892,288**	1,052,786
Contract assets	10	**1,017,866**	2,037,026
Trade and other receivables	11	**5,447,615**	4,174,334
Cash and bank balances	15	**5,497,818**	5,686,242
Total current assets		**20,364,009**	20,294,327
Total assets		**40,232,648**	41,266,723
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**7,862,630**	7,862,630
Statutory reserve	17	**3,931,315**	3,931,315
Cash flow hedging reserve	17, 23	**(31,054)**	(33,482)
Investment revaluation reserve	17	**18,142**	19,439
Retained earnings		**13,849,760**	13,057,604
Equity attributable to owners of the Company		**25,630,793**	24,837,506
Non-controlling interests		**70,892**	113,744
Total equity		**25,701,685**	24,951,250
Non-current liabilities			
Non-convertible sukuk	18	**3,634,684**	3,628,113
Bank borrowings	19	**3,764,392**	4,407,417
Retentions payable	20	**270,252**	260,210
Lease liabilities	21	**304,611**	302,309
Employee benefits	22	**182,665**	167,464
Derivative financial instruments	23	**13,675**	10,760
Total non-current liabilities		**8,170,279**	8,776,273
Current liabilities			
Non-convertible sukuk	18	**36,423**	36,377
Bank borrowings	19	**569,662**	75,226
Retentions payable	20	**609,309**	604,694
Lease liabilities	21	**35,087**	50,056
Derivative financial instruments	23	**1,655**	-
Advances from customers		**375,169**	487,658
Contract liabilities	10	**250,497**	510,725
Trade and other payables	24	**4,482,882**	5,774,464
Total current liabilities		**6,360,684**	7,539,200
Total liabilities		**14,530,963**	16,315,473
Total equity and liabilities		**40,232,648**	41,266,723

Mohamed Al Mubarak
Chairman

Talal Al Dhiyebi
Chief Executive Officer

Greg Fewer
Chief Financial & Sustainability Officer

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