Abu Dhabi Ports Company PJSC

Consolidated financial statements

31 December 2019

Principal business address:
P.O. Box: 54477
Abu Dhabi
United Arab Emirates

Abu Dhabi Ports Company PJSC

Consolidated financial statements

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Abu Dhabi Ports Company PJSC

Directors' report
for the year ended 31 December 2019

The Directors have the pleasure of submitting their report, together with the audited consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

Results
The Group has earned revenue of AED 1,891,478 thousand *(2018: AED 1,699,134 thousand)* and earned a net profit of AED 526,415 thousand for the year ended 31 December 2019 *(2018: AED 758,026 thousand)*.

Accounts
The Directors have reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2019.

Directors
The following directors served the Company for the year ended 31 December 2019:

H.E Falah Al Ahbabi	Chairman
H.E General Pilot Faris Khalaf Khalfan Al Mazrouei	Director
Mr. Khalifa Mohamed Hamad Fares Al Mazrouei	Director
Mr. Abubakr Seddiq Al Khoori	Director
Eng. Mohamed Mubarak Ali Al Mazrouei	Director

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

On behalf of the Board

Chairman
30 April 2020

KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

Independent auditors' report

To the Shareholders of Abu Dhabi Ports Company PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Ports Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Other matter

Note 29 of the consolidated financial statements describes the risks and uncertainties that may impact the Group's business and its operations resulting from the CoVid-19 pandemic. The CoVid-19 pandemic is an unprecedented challenge for humanity and the global economy and, at the date of this report, the related future financial impact and duration cannot be reasonably estimated. We have evaluated the disclosure on uncertainties as described in the aforementioned note and we consider it to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a business, and this is particularly the case in relation to CoVid-19.

Other information

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.

Our opinion on the consolidated financial statements does not cover the other information and we do 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, 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 IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines 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 has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 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 judgment 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.

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

- 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's 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 auditors' 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.

- 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.

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) 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;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 17 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2019;

vi) note 25 to the consolidated financial statements discloses material related party transactions and transactions with conflict of interest, and the terms under which they were conducted;

Report on other legal and regulatory requirements *(continued)*

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, it's Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

viii) Note 23 reflects the social contributions made during the year.

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 Group has not complied, in all material aspects, with any of the provisions of the following laws, regulations and circulars applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2019:

- Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;

- Law of establishment; and

- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operation.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No.: 1131
Abu Dhabi, United Arab Emirates
Date: 28 June 2020

Abu Dhabi Ports Company PJSC

Consolidated statement of financial position
as at 31 December

	Note	2019 AED'000	2018 AED'000
Assets			
Property, plant and equipment	*8*	**12,956,896**	11,156,833
Right-of-use assets	*6*	**444,245**	457,154
Intangible assets and goodwill	*9*	**245,424**	226,104
Investment properties	*10*	**422,509**	393,144
Investment in joint ventures	*11*	**20,701**	18,055
Non-current assets		**14,089,775**	12,251,290
Trade and other receivables	*13*	**1,977,171**	1,525,655
Prepayments and advances	*14*	**89,039**	112,243
Inventories	*15*	**11,809**	10,416
Cash and bank balances	*16*	**97,215**	95,294
Current assets		**2,175,234**	1,743,608
Total assets		**16,265,009**	13,994,898
Equity and liabilities			
Equity			
Share capital	*17*	**3,840,000**	3,840,000
Statutory reserve	*18*	**255,849**	203,446
Retained earnings		**2,059,594**	1,587,963
Assets distribution reserve		**(22,063)**	(22,063)
Cash flow hedge reserve		**984**	890
Equity attributable to owners of the Company		**6,134,364**	5,610,236
Non-controlling interests		**2,890**	509
Total equity		**6,137,254**	5,610,745
Liabilities			
Provision for employees' end of service benefits	*19*	**69,215**	57,611
Deferred government grant	*7*	**5,460,060**	5,566,049
Borrowings	*20*	**1,691,900**	958,656
Lease liabilities	6	**515,086**	490,235
Non-current liabilities		**7,736,261**	7,072,551

Continued.....

Abu Dhabi Ports Company PJSC

Consolidated statement of financial position *(continued)*
as at 31 December

	Note	**2019 AED'000**	2018 AED'000
Liabilities *(continued)*			
Bank overdrafts	16	**22,120**	-
Trade and other payables	*21*	**2,207,763**	1,179,772
Lease liabilities	*6*	**27,771**	26,311
Deferred government grant	*7*	**105,754**	105,519
Borrowings	20	**28,086**	-
Current liabilities		**2,391,494**	1,311,602
Total liabilities		**10,127,755**	8,384,153
Total equity and liabilities		**16,265,009**	13,994,898

These consolidated financial statements were approved and authorised for issue by the Board of Directors on ______________ and were signed on their behalf by:

H.E. Falah Al Ahbabi
Chairman

Mohamed Al Shamisi
Chief Executive Officer

Martin Aarup
Chief Financial Officer

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

Abu Dhabi Ports Company PJSC

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December

	Note	**2019 AED'000**	2018 AED'000
Revenue	*22*	**1,891,478**	1,699,134
Government grants	*7*	**105,754**	105,354
Direct costs	*23*	**(910,146)**	(747,592)
Gross profit		**1,087,086**	1,056,896
Share of profit / (loss) from joint ventures	*11*	**2,552**	(11,794)
Fair value gain on pre-existing interest in a joint venture		**-**	200,000
General and administrative expenses	*24*	**(431,989)**	(355,751)
Impairment of trade receivables	*13*	**(54,524)**	(87,058)
Selling and marketing expenses		**(34,684)**	(24,535)
Finance income		**1,065**	1,569
Finance costs		**(45,768)**	(29,840)
Other income	*25*	**2,677**	8,539
Profit for the year		**526,415**	758,026
Attributable to the owners of the Company		**524,034**	757,591
Non-controlling interests		**2,381**	435
Profit for the year		**526,415**	758,026
Other comprehensive income for the year			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair values of cash flow hedge	*11*	**94**	1,365
Total comprehensive income for the year		**526,509**	759,391
Attributable to the owners of the Company		**524,128**	758,956
Non-controlling interests		**2,381**	435
		526,509	759,391

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

Abu Dhabi Ports Company PJSC

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

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Assets distribution reserve AED'000	Cash flow hedge reserve AED'000	Equity attributable to owners of the Company AED'000	Non controlling interests AED'000	Total equity AED'000
Balance at 1 January 2018, as previously reported	3,840,000	127,687	908,691	-	(475)	4,875,903	-	4,875,903
Impact of early adoption of IFRS 16	-	-	(2,560)	-	-	(2,560)	-	(2,560)
Adjusted balance at 1 January 2018	3,840,000	127,687	906,131	-	(475)	4,873,343	-	4,873,343
Profit for the year	-	-	757,591	-	-	757,591	435	758,026
Other comprehensive income for the year	-	-	-	-	1,365	1,365	-	1,365
Total comprehensive income for the year	-	-	757,591	-	1,365	758,956	435	759,391
Non-controlling interest arising on a business combination	-	-	-	-	-	-	74	74
Transferred to statutory reserve	-	75,759	(75,759)	-	-	-	-	-
Assets transferred to GREs	-	-	-	(22,063)	-	(22,063)	-	(22,063)
Balance at 31 December 2018	3,840,000	203,446	1,587,963	(22,063)	890	5,610,236	509	5,610,745
Balance at 1 January 2019	3,840,000	203,446	1,587,963	(22,063)	890	5,610,236	509	5,610,745
Profit for the year	-	-	524,034	-	-	524,034	2,381	526,415
Other comprehensive income for the year	-	-	-	-	94	94	-	94
Total comprehensive income for the year	-	-	524,034	-	94	524,128	2,381	526,509
Transferred to statutory reserve	-	52,403	(52,403)	-	-	-	-	-
Balance at 31 December 2019	**3,840,000**	**255,849**	**2,059,594**	**(22,063)**	**984**	**6,134,364**	**2,890**	**6,137,254**

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

Abu Dhabi Ports Company PJSC

Consolidated statement of cash flows
for the year ended 31 December

	Note	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Profit for the year		**526,415**	758,026
Adjustments for:			
Depreciation on property, plant and equipment and investment properties	*8&10*	**312,569**	275,253
Amortisation of right-of-use assets	*6*	**12,909**	12,909
Amortisation of intangible assets	*9*	**10,690**	6,790
Share of (profit) / loss from a joint venture	*11*	**(2,552)**	11,794
Provision for impairment of trade receivables	*13*	**54,524**	87,058
Provision for slow moving inventories	*15*	**992**	273
Amortisation of government grant	*7*	**(105,754)**	(105,354)
Gain on disposal of property, plant and equipment	*25*	**(2,664)**	(8,346)
Provision for employees' end of service benefits	*19*	**13,722**	12,583
Finance income		**(1,065)**	(1,569)
Fair value gain of pre-existing interest in a joint venture		**-**	(200,000)
Finance costs		**45,768**	29,840
		865,554	879,257
Changes in:			
Trade and other receivables		**(458,426)**	(536,385)
Prepayments and advances		**33,752**	(76,508)
Inventories		**(2,384)**	(801)
Trade and other payables		**631,215**	(17,057)
Cash from operating activities		**1,069,711**	248,506
Employees' end of service benefits paid	*19*	**(7,693)**	(4,106)
Net cash generated from operating activities		**1,062,018**	244,400
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**7,375**	11,892
Additions to property, plant and equipment		**(1,671,225)**	(425,284)
Additions to investment properties	*10*	**(37,741)**	(102,869)
Additions to investments in joint venture	*11*	**-**	(205)
Acquisition of a subsidiary, net of cash acquired	*12*	**(104,055)**	(60,155)
Movement in deposits		**70**	1,080
Disposal of a subsidiary, net of cash disposed		**-**	(3,750)
Finance income received		**1,065**	1,569
Net cash used in investing activities		**(1,804,511)**	(577,722)

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Abu Dhabi Ports Company PJSC

Consolidated statement of cash flows *(continued)*
For the year ended 31 December

	Note	**2019 AED'000**	2018 AED'000
Cash flows from financing activities			
Proceeds from borrowings		**751,399**	433,408
Repayment of borrowings		**(20,810)**	(206,560)
Net movement in non-controlling interests		**-**	74
Finance cost paid		**(8,225)**	(4,844)
Net cash from financing activities		**722,364**	222,078
Net decrease in cash and cash equivalents		**(20,129)**	(111,244)
Cash and cash equivalents at the beginning of the year	*16*	**85,511**	196,755
Cash and cash equivalents at the end of the year	*16*	**65,382**	85,511

The notes set out on pages 12 to 52 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 5.

1 Legal status and principal activities

Abu Dhabi Ports Company PJSC ("the Company" or "AD Ports") is a public joint stock company established in accordance with the provisions of Emiri Decree No. 6 of 2006 dated 4 March 2006 ("the Decree") as part of the restructuring of the commercial ports sector in the Emirate of Abu Dhabi ("the Emirates").

The Company was registered with the Department of Planning and Economy and obtained its commercial license on 29 March 2006. The registered head office of the Company is at P.O. Box 54477, Mina Zayed, Abu Dhabi, United Arab Emirates.

The Company is wholly owned by the Abu Dhabi Developmental Holding Company PJSC ("ADDH").

The principal activities of the Company and its subsidiaries ("the Group") are as follows:

- To own, operate, maintain, manage and develop all ports, docks, harbors, quays, waterways, bridges, breakwaters, infrastructure and related installations in the Emirate of Abu Dhabi.

- To construct, manage and develop the industrial, commercial and non-financial service free zones on plots of land granted or allocated by the Government of Abu Dhabi to the Company in accordance with a plan approved by the Executive Council.

The Company was given control and regulatory enforcement power over all commercial ports assets previously owned by Abu Dhabi Seaports Authority through Emiri Decree No.6 of 2006 dated 6 March 2006. In addition, AD Ports also assumed ownership and control of a number of warehouses near Mina Zayed.

Khalifa Port and Industrial Zone ("KPIZ") includes a large scale off-shore container, industrial port and maritime facility ("Khalifa Port" together with Mina Zayed referred to as "the Ports") as well as an industrial zone, which comprises industrial, transport, logistics, commercial and residential clusters ("the Industrial Zone"). Phase one of the KPIZ commenced operations during the last quarter of 2012.

KPIZ established a network of basic infrastructure and utilities to service the high, medium and low impact industry zones, alongside proposed residential, commercial and educational zones. It is divided into distinct clusters, each providing appropriate infrastructures and services needed to support the specific activities in the zones.

Pursuant to Abu Dhabi Law No. 2 of 2018 and Executive Council Resolution No. 143/2019, the ownership of the Company was transferred to Abu Dhabi Developmental Holding Company PJSC ("ADDH") from the Government of Abu Dhabi. Therefore, at the reporting date, ADDH is the parent company of the Company, and the Government of Abu Dhabi (the "Government") is the ultimate controlling party of the Company.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements comprise the Company and its subsidiaries listed in note 2.2 (collectively referred to as "the Group") and have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable provisions of UAE Federal Law No 2 of 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED") which is the functional currency of the Group. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements are described in note 4.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and those of its following subsidiaries:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
MICCO (Mazroui International Cargo Company LLC)	99%	UAE	Freight forwarding and logistics management
Abu Dhabi Marine Services Safeen LLC (ADPMS)	99%	UAE	Consolidated marine services to Abu Dhabi ports users
Khalifa Industrial Zone Company LLC	99.8%	UAE	Managing the Khalifa Industrial Zone in Abu Dhabi
Abu Dhabi Free Zone LLC	99%	UAE	Invest, establish and manage commercial, Industrial, service and real estate projects
Al Awaid Project Management & Property LLC (Al Awaid)	99%	UAE	Management and leasing of real estate
Al Howaitha General Contracting & Logistics LLC (Al Howaitha)	99%	UAE	Provision services for Development, Management and Marketing of free zones
Al Yaher General Trading Ltd (Al Yaher)	100%	UAE	General trading products
Maqta Gateway LLC	99%	UAE	Marine Transportation and Ports Engineering Consultancy
Fujairah Terminals Operating Co - Fujairah Terminals LLC	99%	UAE	Marine Transportation and Ports Engineering Consultancy
Abu Dhabi Ports Operating and Logistic Company LLC	99%	UAE	Logistics business operations in KPCT

2.2 Basis of consolidation *(continued)*

Auto terminal Khalifa Port LLC	51%	UAE	Operate the RoRo terminal in KP, handle automobile imports and transhipment
Abu Dhabi Maritime Academy – Sole Proprietorship LLC	100%	UAE	Provide education and maritime training in the UAE and the region

Al Awaid, Al Howaitha, and Al Yaher are dormant and did not have any activities during the years ended 31 December 2019 and 2018.

On 10 May 2018, AD Ports and Auto-terminal S.A, a limited company established in Spain, signed a shareholding agreement to establish a new entity namely Auto-terminal Khalifa Port LLC (ATK), a company incorporated in UAE, the principal activities of ATK are shipment container loading and off-loading services, ports management, warehouses management and operations.

The share capital of ATK and the ownership percentages are as follows:

Shareholders:	***Ownership %***	***AED'000***
Abu Dhabi Ports	**51%**	**76**
Auto-terminal S.A.	**49%**	**74**
	100%	**150**

Subsidiaries

Subsidiaries are all entities over which the Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

2.2 Basis of consolidation *(continued)*

Business combination and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill

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.

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.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Non-controlling interest ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

Financial instruments

i) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

ii) Classification and subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses:

Financial asset at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition of financial assets and liabilities

Financial assets:
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities:

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

iii. Impairment

Financial assets not classified as at FVTPL are assessed for impairment at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of a borrower.

Financial instruments and contract assets

The group recognizes loss allowances for ECLs on:
- Margin and trade receivables and prepayment;
- Deposits for markets guarantee;
- Due from securities markets and bank balance

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

iii. Impairment *(continued)*

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial amortised cost are deducted from the gross carrying amount of the asses. For debt securities FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

iii. Impairment *(continued)*

Write-off
The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Investments in joint ventures

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

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit. The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group recognises share of loss of a joint venture to the extent of the Group's interest in the investee, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3 Significant accounting policies *(continued)*

Investments in joint ventures *(continued)*

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

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

Intangible assets

Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets	Other intangible assets, including customer relationships and rights, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

	Years
Rights	**28**
Customer contracts	**28**

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3 Significant accounting policies *(continued)*

Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirements to operate in accordance with its main mandate of operating, managing, maintaining and developing all ports in the Emirate of Abu Dhabi.

Non-monetary government grants are recognised when there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable. Non-monetary government grants are recorded at their fair values on recognition. Where cost information is not available, non-monetary government grants are recorded at a nominal value.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Port infrastructure	**3 – 50 years**
Road infrastructure	**3 – 50 years**
Substations	**25 years**
Building and building improvements	**2 – 50 years**
Office equipment and furniture	**3 – 25 years**
Motor vehicles	**4 – 10 years**
Channel infrastructure improvement	**3 – 5 years**

No depreciation is provided on land.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair values less costs to sell and their values in use.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditures are capitalised only when they increase the future economic benefits of the related item of property, plant and equipment. All other expenditures are recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

3 Significant accounting policies *(continued)*

Capital work-in-progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction 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 depreciated in accordance with the Group's policies. No depreciation is provided on capital work-in-progress.

Inventories

Inventories are valued at the lower of cost, calculated using the weighted average method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investment properties

Investment properties, which comprise of properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) are measured at their cost, including transaction costs.

Depreciation is charged so as to write-off the cost of properties over their estimated useful lives, using straight-line method. No depreciation is provided on land. Investment properties are depreciated over their useful lives of 20 to 50 years.

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.

The gain or loss arising on the disposal or retirement of investment properties are determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss and other comprehensive income.

Leases

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payment at or before the commencement, plus any initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying the asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discount using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

3 Significant accounting policies *(continued)*

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent appropriate market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and fixed deposits with original maturity of three months or less, less overdrafts.

Revenue recognition

Revenue is recognised in the consolidated statement of profit or loss and other comprehensive income at the fair value of the consideration received or receivable as follows:

Management fees
Revenue from property management is recognised when the services are provided.

Rental income
Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Marine services
The total consideration in the service contract will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the service in separate transactions.

3 Significant accounting policies *(continued)*

Revenue recognition *(continued)*

Logistics services
Revenue from logistics services is recognised over time that is when performance obligation is satisfied.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Borrowings

The Group's borrowings are carried on the consolidated statement of financial position at their principal amount. Instalments due within one year are shown as a current liability.

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.

Employees' benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2) of 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service. Monthly pension contributions are made in respect of other GCC National employees, who are covered by the Circular no. 3 of 2007 issued by the General Authority of Pension and Social Security. The contribution made by the Group is charged to profit or loss. The pension contribution is made according to the laws of the respective GCC nation.

3 Significant accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

4 Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Useful lives and residual values of property, plant and equipment and investment properties

Management reviews the residual values and estimated useful lives of property, plant and equipment and investment properties at the end of each annual reporting period in accordance with IAS 16 and IAS 40. Based on its review, management believes that the useful lives of property, plant and equipment and investment properties have been reasonably estimated.

Impairment assessment of property, plant and equipment, including capital work-in-progress, and investment properties

Property, plant and equipment including properties classified under capital work-in-progress, and investment properties are assessed for impairment based on assessment of cash flows on individual cash generating units when there is an indication of impairment.

In assessing whether there is any indication that the completed assets, investment properties and capital-work-in progress at the end of the reporting period may be impaired, the Group considered the following:

- Changes in the technological, market, economic or legal environment in which the Group operates that had or would have an adverse effect on the Group;
- Physical damage of the assets under construction;
- Plans to discontinue or restructure the operation to which the assets under construction belong; and
- Evidence from internal reporting that indicates a significant decline in budgeted net cash flows flowing from the asset.

Budgeted net cash flows are determined based on estimations over the useful life of the assets and discounted using a range of discount rates on such cash generating units. Management is satisfied that there are no impairment indications with respect to completed assets, investment properties and capital work in progress.

Impairment losses on trade amounts including unbilled receivables (refer to note 13) and due from related parties

Management reviews trade receivables to assess impairment on a regular basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether an impairment loss should be recorded in the profit and loss, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

4 Use of estimates and judgements *(continued)*

Impairment losses on trade amounts including unbilled receivables (refer to note 13) and due from related parties (continued)

Un-billed receivables comprise revenue recognised in advance of billings on the basis that the underlying contractual arrangements provide certain escalations in rental or other income and this accounting reflects management's estimate that the amounts are recoverable so that even in the event that the contracts are terminated prior to their stipulated term that the Group can secure liquidated damages to the extent of these un-billed balances.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property, plant & equipment, investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment of investment in a joint venture
Management regularly reviews its investment in Joint venture for indicators of impairment. This determination of whether investment in a joint venture is impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of the investment is recognised as an expense in consolidated statement of profit or loss and other comprehensive income.

Management is satisfied that no impairment provision is required for its investment in a joint venture.

5 Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes in the notes specific to that asset or liability.

6 Leases

The Group leases many assets including land and port infrastructure. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Land AED'000	Ports infrastructure AED'000	Total AED'000
Balance at 1 January 2018	84,194	385,869	470,063
Depreciation charge for the year	(1,724)	(11,185)	(12,909)
Balance at 31 December 2018	82,470	374,684	457,154
Balance at 1 January 2019	82,470	374,684	457,154
Depreciation charge for the year	(1,724)	(11,185)	(12,909)
Balance at 31 December 2019	**80,746**	**363,499**	**444,245**

Lease liabilities

	2019 AED'000	2018 AED'000
Maturity analysis – contractual undiscounted cash flows:		
Less than five years	**166,187**	132,259
More than five years	**988,487**	1,022,415
Total undiscounted lease liabilities at 31 December	**1,154,674**	1,154,674

Lease liabilities included in the consolidated statement of financial position at 31 December:

	2019 AED'000	2018 AED'000
Current	**27,771**	26,311
Non-current	**515,086**	490,235
-	**542,857**	516,546

Amount recognised in the consolidated statement of profit or loss and other comprehensive income:	**2019 AED'000**	2018 AED'000
Interest on lease liabilities	**26,311**	24,997
Amortisation of right-of-use asset	**12,909**	12,909

7 Deferred government grants

During prior years, the Government of Abu Dhabi granted the Group non-monetary assets comprising a plot of land in Taweelah in the Emirate of Abu Dhabi, the Head Office building, furniture and fixtures, warehouses, commercial ports and other ports' assets. These non-monetary government grants are recognised at a nominal value of AED 1.

Granted warehouses and portions of office buildings that are held to earn rentals are classified as investment properties. The remainders of the granted assets are either held for owner-occupation or under development for future owner-occupation and accordingly are classified as property, plant and equipment.

On 13 December 2011, the Executive Council approved additional funding to the Company as compensation for certain assets constructed by the Company. On 12 December 2013, the Company signed an agreement with the Government of Abu Dhabi, through the Department of Finance – Abu Dhabi ("DOF") in relation to those assets.

The significant terms of the agreement are as follows:

- DOF reimbursed the Company for the cost of constructing the assets for an amount of AED 6.04 billion;
- DOF waived repayment of loan of AED 5 billion provided by DOF, along with all due interest of AED 622 million;
- DOF granted the Company the perpetual possession and perpetual enjoyment of the assets under the agreement; and
- AD Ports has the perpetual right to:
  - Develop, alter, modify, construct or otherwise treat the assets as it deems fit; and
  - Manage, use and benefit from the assets in accordance with its articles of association and the Decree.

Management has assessed the agreement with DOF and concluded that it represents a monetary government grant. As such, a government grant of AED 6.04 billion has been recognised in the consolidated statement of financial position. As part of the settlement agreement, the Group received an amount of AED 1.04 billion during 2013. Government grant has been amortised in line with the useful life of the granted assets.

Movement on the deferred government grant during the year was as follows:

	2019	2018
	AED'000	AED'000
Balance at 1 January	**5,671,568**	5,766,362
Additions during the year	**-**	10,560
Amount recognised as revenue during the year	**(105,754)**	(105,354)
Balance at 31 December	**5,565,814**	5,671,568

Deferred government grant is presented in the consolidated statement of financial position as follows:

	2019	2018
	AED'000	AED'000
Within current liabilities	**105,754**	105,519
Within non-current liabilities	**5,460,060**	5,566,049
	5,565,814	5,671,568

Abu Dhabi Ports Company PJSC

Notes to the consolidated financial statements

8 Property, plant and equipment

	Port infrastructure AED'000	Road infrastructure AED'000	Substations AED'000	Land development AED'000	Building and improvements AED'000	Equipment and furniture AED'000	Motor vehicles AED'000	Channel infrastructure improvement AED'000	Capital work-in-progress AED'000	Total AED'000
Cost										
At 1 January 2018	8,126,112	428,720	358,407	87,485	1,247,911	507,978	3,227	7,804	1,331,395	12,099,039
Additions during the year	-	-	-	-	-	-	-	-	432,223	432,223
Transfers from capital work-in-progress	16,339	59,755	-	5,566	85,699	63,973	-	-	(231,332)	-
Acquired through business combination	-	-	-	-	44,014	138,992	6,593	-	21,777	211,376
Disposals of a subsidiary	-	-	-	-	(2,680)	(102,762)	(6,460)	-	(10,408)	(122,310)
Disposals	-	-	-	-	-	(16,461)	-	-	-	(16,461)
At 31 December 2018	8,142,451	488,475	358,407	93,051	1,374,944	591,720	3,360	7,804	1,543,655	12,603,867
At 1 January 2019	8,142,451	488,475	358,407	93,051	1,374,944	591,720	3,360	7,804	1,543,655	12,603,867
Additions during the year	-	-	-	-	24	12,539	22,923	-	1,981,397	2,016,883
Transfers from capital work-in-progress	45,626	10,147	609	-	644,000	149,827	-	-	(850,209)	-
Acquired through business combination *(note 12)*	-	-	-	-	46,247	9,270	36,566	-	-	92,083
Disposals	(252)	-	-	-	-	(10,573)	(8,510)	-	-	(19,335)
At 31 December 2019	**8,187,825**	**498,622**	**359,016**	**93,051**	**2,065,215**	**752,783**	**54,339**	**7,804**	**2,674,843**	**14,693,498**
Accumulated depreciation										
At 1 January 2018	704,308	81,773	71,369	-	131,267	191,595	2,591	7,804	-	1,190,707
Charge for the year	147,236	19,393	14,390	-	43,600	44,340	283	-	-	269,242
Disposals	-	-	-	-	-	(12,915)	-	-	-	(12,915)
At 31 December 2018	851,544	101,166	85,759	-	174,867	223,020	2,874	7,804	-	1,447,034
At 1 January 2019	851,544	101,166	85,759	-	174,867	223,020	2,874	7,804	-	1,447,034
Charge for the year	149,290	19,956	14,405	-	37,579	75,897	7,066	-	-	304,193
Disposals	(35)	-	-	-	-	(7,636)	(6,954)	-	-	(14,625)
At 31 December 2019	**1,000,799**	**121,122**	**100,164**	**-**	**212,446**	**291,281**	**2,986**	**7,804**	**-**	**1,736,602**
Net carrying amount										
At 31 December 2018	7,290,907	387,309	272,648	93,051	1,200,077	368,700	486	-	1,543,655	11,156,833
At 31 December 2019	**7,187,026**	**377,500**	**258,852**	**93,051**	**1,852,769**	**461,502**	**51,353**	**-**	**2,674,843**	**12,956,896**

8 Property, plant and equipment *(continued)*

Depreciation expense has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	AED'000	AED'000
Direct costs	**257,958**	232,632
General and administrative expenses *(note 23)*	**46,235**	36,610
	304,193	269,242

Except for property, plant and equipment discussed in *note 7* to the consolidated financial statements, all property, plant and equipment granted by the Government of Abu Dhabi to the Group are recognised at cost of AED 1, which represents the nominal value of granted assets *(note 7)*. Capital work-in-progress mainly comprises the costs relating to Khalifa Port and Industrial Zones (KPIZ) developments.

Staff costs of AED 107.06 million *(2018: AED 85.21 million)* have been capitalised within capital work-in-progress during the year ended 31 December 2019.

Borrowing costs of AED 26.28 million *(2018: AED 19.13 million)* have been capitalised during the year ended 31 December 2019.

9 Intangible assets and goodwill

	Software	Goodwill	Customer contracts and relationship	Rights	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
Balance at 1 January 2018	-	-	-	-	-
Acquired during the year on business combination	32,100	67,824	172,900	-	272,824
Rights acquired during the year from a disposal of a subsidiary	-	-	-	27,170	27,170
Disposal of a subsidiary	(32,100)	(35,000)	-	-	(67,100)
Balance at 31 December 2018	-	32,824	172,900	27,170	232,894
Balance at 1 January 2019	-	32,824	172,900	27,170	232,894
Acquired during the year on business Combination *(note 12)*	-	21,710	8,300	-	30,010
Balance at 31 December 2019	**-**	**54,534**	**181,200**	**27,170**	**262,904**
Accumulated amortisation					
Balance at 1 January 2018	-	-	-	-	-
Charge for the year	-	-	6,337	453	6,790
Balance at 31 December 2018	-	-	6,337	453	6,790
Balance at 1 January 2019	-	-	6,337	453	6,790
Charge for the year	-	-	9,785	905	10,690
Balance at 31 December 2019	**-**	**-**	**16,122**	**1,358**	**17,480**
Net carrying amount					
31 December 2018	-	32,824	166,563	26,717	226,104
31 December 2019	**-**	**54,534**	**165,078**	**25,812**	**245,424**

Goodwill

Net goodwill of AED 21,710 thousand acquired during the year resulted from the acquisition of Mazroui International Cargo Company LLC during the year, *refer to note 12.*

Impairment assessment

Management performed an impairment assessment for the Goodwill at year-end. The assumptions used in forming the basis of the value in use for the cash generating unit are based on the actual results of the subsidiary companys for the year together with the approved budgets.

Based on the assessment performed, management believes that no impairment on goodwill existed at year-end.

9 Intangible assets and goodwill (continued)

Customer contracts & Relationships

Intangible assets with a fair value of AED 172,900 was acquired during 2018 from business combination as a result of evaluating a long term contract between ADT and a local entity on which ADT is providing gateway operations services to the local entity since 2013 (the "Logistics Contract"). The Logistics Contract was secured for four years which was renewed in January 2018 for 3 years with two additional one year options for renewal.

Management of the Group signed a Memorandum of Understanding (MOU) with the local entity to extend the terms of the Logistics Contracts for a period of 25 years. However, the amended agreement is under signature by both parties.

During 2019, Customer contracts and relationship increased by AED 8,300 thousand as a result of the acquisition of Mazroui International Cargo Company LLC on 24 January 2019.

Rights

Rights with a fair value of AED 27,170 were acquired during 2018 as a result of signing a long term agreement with an international shipping Company as consideration for selling 49% of a wholly owned subsidiary (ADT).

10 Investment properties

	Completed properties AED'000	Properties under development AED'000	Total AED'000
Cost			
Balance at 1 January 2018	288,937	18,988	307,925
Additions	-	102,869	102,869
Balance at 31 December 2018	288,937	121,857	410,794
Balance at 1 January 2019	288,937	121,857	410,794
Additions	-	37,741	37,741
Transfers	148,918	(148,918)	-
Balance at 31 December 2019	**437,855**	**10,680**	**448,535**
Accumulated depreciation			
Balance at 1 January 2018	11,639	-	11,639
Charge for the year	6,011	-	6,011
Balance at 31 December 2018	17,650	-	17,650
Balance at 1 January 2019	17,650	-	17,650
Charge for the year	8,376	-	8,376
Balance at 31 December 2019	**26,026**	**-**	**26,026**
Net carrying amount			
31 December 2018	271,287	121,857	393,144
31 December 2019	**411,829**	**10,680**	**422,509**

Investment properties are composed of warehouses. Rental income from investment properties of AED 29.24 million *(2018: AED 21.21 million)* was earned and maintenance expense of AED 7.71 million *(2018: AED 3.27 million)* was incurred during the year ended 31 December 2019.

A portion of the Group's investment properties is recognised at cost of AED 1, which represents the nominal value of the granted assets as described in *note 7*. These investment properties include warehouses and assets relating to Khalifa Industrial Zone Abu Dhabi and Zayed Port.

The fair value of the warehouses as estimated by management was AED 736 million as at 31 December 2019 *(2018: AED 431 million)*.

10 Investment properties *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The valuation was determined by reference to discounted cash flows projections based on reliable estimates of future cash flows, supported by the expected terms of existing lease arrangements and using a discount rate of 8%, reflecting management's current market assessment of uncertainty in the amount and timing of the cash flows. The effective date of the valuation is 31 December 2019.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value measurement hierarchy as at 31 December 2019 and 2018:

	Date of valuation	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Assets for which fair value is disclosed					
2019					
Investment properties	**31 December 2019**	**735,900**	**-**	**-**	**735,900**
2018					
Investment properties	31 December 2018	430,891	-	-	430,891

11 Investment in a joint venture

i) Investment in ADT

The Group had a 50% equity interest in Abu Dhabi Terminals LLC ("ADT"), a joint venture involved in the operation and management of ports facilities registered in the UAE. The Group's interest in ADT is accounted for using the equity method in the consolidated financial statements.

On April 2018, the Group acquired the remaining 50% equity in ADT from the other shareholders for a total consideration of AED 200 million, such that ADT became a wholly-owned subsidiary of AD Ports. ADT has two main operating segments ("Logistics operation" and "Containers operation"). As a result, intangible assets of AED 272 million were acquired (refer note 9).

During 2018, the Logistics operation business of ADT was carved-out and transferred into a newly established entity (Abu Dhabi Ports Operating and Logistic Company LLC) (or "ADPL"), which is wholly owned by AD Ports, whilst the Containers operation was retained in ADT.

Subsequent to the above transaction, AD Ports sold 49% of ADT to Terminal Investment Limited SARL ("TIL") in accordance with a sale and purchase agreement dated 7 May 2018 ('the SPA'). Based on the SPA, the operations of ADT will be jointly managed and controlled by AD Ports and TIL. Consequently, AD Ports lost the control over ADT and derecognised the related assets and liabilities from its consolidated statement of financial position. The retained interest in ADT was measured at fair value and accounted for as a joint venture, solely composed of goodwill of AED 17,850 thousand. As a result of the disposal, intangible assets of AED 67 million were derecognised from the books of the Group (refer note 9).

ii) Investment with LDPL

On 15 June 2018, AD Ports and LDPL Ship Management & Operation DMCEST ("LDPL") signed undertakings agreeing to form the below joint ventures which will be jointly managed and operated by AD Ports and LDPL:

1- K Shipping Investment Ltd ("K-Shipping")
2- ALM Shipping Management Ltd ("ALM Shipping")
3- Compagnie Des Chargeurs De Guinee SA ("CCG")
4- Compagnie Maritime De Guinee SA ("CMG")

The main objective of these entities is to construct, own and operate a number of vessels to manage the transhipments of certain materials from the port of Guinea to the mother vessels in the ocean for onward shipment to the UAE.

11 Investment in a joint venture *(continued)*

Details of the Group's joint ventures at the end of the reporting period are as follows:

Joint ventures	**Percentage of ownership**		**Place of registration**
	2019	2018	
Abu Dhabi Terminals LLC (ADT)	**51%**	51%	UAE
K-Shipping Investment Ltd	**50%**	50%	UAE
ALM Shipping Management Ltd	**50%**	50%	UAE
Compagnie Des Chargeurs De Guinee SA	**50%**	50%	Guinea
Compagnie Maritime De Guinee SA	**50%**	50%	Guinea

Movement in the investments in ADT and LDPL during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at 1 January	**18,055**	-
Gain on re-measurement of pre-existing interest in ADT	**-**	200,000
Transferred to investments in subsidiaries	**-**	(200,000)
Share of profit / (loss) for the year	**2,552**	(11,794)
Share of other comprehensive income for the year	**94**	1,365
Fair value of the remaining interest in ADT (including goodwill)	**-**	28,279
Additional investments with LDPL	**-**	205
Balance at 31 December	**20,701**	18,055

Summary of the statements of financial position of the joint ventures is set out below:

	ADT		**LDPL**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000
Current assets	**237,261**	181,813	86,169	-
Non-current assets	**1,115,178**	973,032	426,951	-
Current liabilities	**(218,119)**	(308,330)	(258,291)	-
Non-current liabilities	**(1,299,806)**	(1,003,244)	(273,891)	-
Net liabilities	**(165,486)**	(156,729)	(19,062)	-
Group share of net assets	**2,851**	-	-	-
Goodwill	**17,850**	17,850	-	-
Group's carrying amount of the investments in joint ventures	**20,701**	17,850	-	205

11 Investment in a joint venture *(continued)*

The above amounts of assets and liabilities include the following:

	ADT		LDPL	
	2019	2018	**2019**	2018
	AED'000	AED'000	**AED'000**	AED'000
Cash and bank balances	**65,415**	80,630	**24,574**	-
Financial liabilities (excluding trade payables and provisions)	**(472,114)**	(312,405)	**-**	-

Summarised statement of profit or loss and other comprehensive income is as follows:

	ADT		LDPL	
	2019	2018	**2019**	2018
	AED'000	AED'000	**AED'000**	AED'000
Revenue	**368,237**	299,064	**95,796**	-
Direct costs	**(147,722)**	(138,641)	**(98,301)**	-
Administrative expenses	**(151,562)**	(155,625)	**(12,597)**	-
Finance costs	**(62,377)**	(53,913)	**(2,563)**	-
Other income	**1,245**	13,225	**254**	-
Profit / (loss) for the year	**7,821**	(35,890)	**(17,411)**	-
Group's share of profit / (loss)	**2,757**	(11,794)	**(205)**	-
Other comprehensive loss for the year				
Share of other comprehensive loss for the year	**94**	1,365	**-**	-
Total comprehensive loss for the year	**2,851**	(10,429)	**(205)**	-

The Group didn't recognise losses from Joint Ventures of AED 8,501 thousand due to the excess of these losses over the investments carrying values as at 31 December 2019.

12 Acquisition of a subsidiary

During 2019, the Group acquired the entire share capital of Mazroui International Cargo Company LLC ("MICCO") governed by a Share Purchase Agreement. The transaction became effective from 1 January 2019. The total purchase consideration agreed for the acquisition of MICCO was AED 110 million.

MICCO is primarily involved in logistics, providing air freight, shipping, land transportation, supply chain management ("SCM") and other value-added services in the UAE and hence the industry outlook is focused on logistics and transportation services in the UAE.

The Group intended to provide value added services to its customers by providing integrated logistics products to stimulate and access markets.

And so, acquisition of MICCO will provide the Group with a platform for market entry with "in-House warehouse management and transport capabilities combined with industry know-how and complete control over operations.

12 Acquisition of a subsidiary *(continued)*

The Group believed that acquisition of a leading market player in logistics industry would enable AD Ports have complete access and control on end to end logistics operations along with local operations.

MICCO being a leading market player in the industry, would boost AD Ports ability to provide integrated logistics solutions to a wide range customer locally and internationally.

The acquisition resulted in the increase of 180 million to the revenue of AD Ports this year.
The Group exercises control as it is a 100% owned subsidiary.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of MICCO as at the date of acquisition were:

	Total AED'000
Assets	
Property, plant and equipment *(note 8)*	**92,083**
Intangible assets arising on the acquisition *(note 9)*	**8,300**
Other current assets	**10,548**
Trade and other receivables	**48,263**
Cash and bank balances	**5,169**
	164,363
Liabilities	
Bank loan	**(19,807)**
Trade and other payables	**(50,691)**
Provision for employees' end of service benefits *(note 19)*	**(5,575)**
	(76,073)
Net identifiable assets acquired	**88,290**

Fair value

Fair valuation of tangible and intangible acquired assets was completed at the time of the acquisition in conjunction with an independent valuer. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	*Valuation technique*
Property, plant and equipment	*Market comparison technique and depreciated replacement cost technique:* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The depreciated replacement / reproduction cost (DRC) approach is an acceptable method of valuation used to estimate a value for specialised assets, where lack of suitable market evidence exits.

12 Acquisition of subsidiary *(continued)*

Fair value (continued)

Intangible assets	*Valuation approach:* For the purpose of valuing the contract, the multi period excess earning method ("MEEM") under the income approach has been adopted. The MEEM approach involves the valuation of net residual income stream derived from the customer relationship and contracts after deduction of an appropriate contributary asset charge to reflect returns attributable to all other assets, both tangible and intangible, employed in supporting customers relationship and contract related intangible assets.

The fair values of the remaining assets and liabilities approximated to their carrying values. No contingent assets or liabilities existed at the time of the acquisition.

Goodwill
Goodwill arising from the acquisition has been recognised as follows:

	Total
	AED'000
Consideration	**110,000**
Less: Fair value of identifiable net assets	**(88,290)**
Total goodwill *(note 9)*	**21,710**

Customer relationship and contracts
Customer relationship and contracts with an estimated value of AED 8,300 thousand were recognized as a result of the acquisition of (MICCO).

Analysis of cash out-flows on acquisition:	**AED'000**
Cash consideration paid to acquire MICCO	**90,000**
Cash and cash equivalent acquired with the subsidiary	**14,055**
Net cash flow on acquisition	**104,055**

13 Trade and other receivables

	2019	2018
	AED'000	AED'000
Trade receivables	**1,350,904**	1,295,425
Due from related parties *(note 25)*	**685,188**	426,324
Staff receivables	**59,027**	51,502
Accrued income	**57,323**	24,376
Other receivables	**99,760**	14,819
	2,252,202	1,812,446
Less: allowance for impairment	**(275,031)**	(286,791)
	1,977,171	1,525,655

Trade receivables balance includes un-billed rent receivables of AED 1,007,535 thousand *(2018: AED 836,723 thousand).*

Movements in the allowance for impairment of trade and other receivables were as follows:

	2019	2018
	AED'000	AED'000
Balance at 1 January	**286,791**	227,372
Provided during the year	**54,524**	87,058
Written-off during the year	**(66,284)**	(27,639)
Balance at 31 December	**275,031**	286,791

13 Trade and other receivables *(continued)*

As at 31 December, the ageing of gross trade and other receivables is as follows:

			Past due but not impaired					
	Total AED '000	Neither past due nor impaired AED '000	0 - 30 days AED '000	30 - 60 days AED '000	60 – 90 days AED '000	90 – 180 days AED '000	>180 days AED '000	Past due and impaired AED '000
31 December 2019								
Trade receivables	1,350,904	1,098,454	63,192	29,724	20,562	41,416	30,267	67,290
Due from related parties	685,188	339,555	107,842	7,458	2,111	35,616	57,144	135,461
Staff receivables	59,027	59,027	-	-	-	-	-	-
Other receivables	99,760	99,760	-	-	-	-	-	-
	2,194,879	1,596,796	171,034	37,182	22,673	77,032	87,411	202,751
31 December 2018								
Trade receivables	1,295,425	1,154,627	31,901	20,419	(16,895)	20,425	31,686	53,262
Due from related parties	426,324	233,761	70,165	29,738	51,911	2,387	17,327	21,035
Staff receivables	51,502	51,502	-	-	-	-	-	-
Other receivables	14,819	14,819	-	-	-	-	-	-
	1,788,070	1,454,709	102,066	50,157	35,016	22,812	49,013	74,297

14 Prepayments and advances

	2019 AED'000	2018 AED'000
Advance payments to contractors	**68,765**	90,568
Prepaid expenses	**20,274**	21,675
	89,039	112,243

15 Inventories

	2019 AED'000	2018 AED'000
Spare parts	**17,717**	15,332
Less: provision for obsolete and slow moving inventories	**(5,908)**	(4,916)
	11,809	10,416

Movements in the provision for obsolete and slow moving inventories are as follows:

	2019 AED'000	2018 AED'000
Balance at 1 January	**4,916**	4,643
Provided during the year *(note 23)*	**992**	273
Balance at 31 December	**5,908**	4,916

16 Cash and bank balances

	2019 AED'000	2018 AED'000
Cash on hand	**2,119**	1,557
Fixed deposits and current accounts with banks	**95,096**	93,737
Cash and cash equivalent in the statement of financial position	**97,215**	95,294
Less: deposits with original maturities greater than 3 months	**(9,713)**	(9,783)
Cash and cash equivalents	**87,502**	85,511
Less: Bank overdrafts	**(22,120)**	-
Cash and cash equivalents in the consolidated statement of cash flows	**65,382**	85,511

Fixed deposits with banks carried an average interest rate of 1.81% per annum *(2018: 1.46% per annum)*.

17 Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid		
As at 1 January	**3,840,000**	3,840,000
384,000,000 *(2018: 384,000,000)* Ordinary shares of AED 10 each	**3,840,000**	3,840,000

On 13 December 2011, the Executive Council of Abu Dhabi issued a resolution instructing the Department of Finance to increase the Company's authorised share capital from AED 500 million to AED 5 billion. During 2014, the Company received the approval from the Ministry of Economy to increase its authorised share capital to AED 5 billion.

During 2011, the Department of Finance injected an amount of AED 2,000,000 thousand as additional capital contribution. During 2013, the Department of Finance injected another amount of AED 1,340,000 thousand as an additional capital contribution.

The legal formalities to convert the additional paid in capital of AED 3,340,000 thousand to share capital were completed on 16 February 2015.

On 15 July 2015, the Executive Council of Abu Dhabi issued a resolution to reduce the Company's authorised share capital from AED 5 billion to AED 3,840,000 thousand. Legal formalities were completed on 2 October 2018.

The Group has not purchased any shares during the year ended 31 December 2019.

18 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No (2) of 2015, 10% of the net profit attributable to the owners of the Company to be transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

19 Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefits is as follows:

	2019 AED'000	2018 AED'000
Balance at 1 January	**57,611**	49,096
Charged during the year	**13,722**	12,583
Acquired from business combination *(note 12)*	**5,575**	16,342
Disposal of a subsidiary	**-**	(16,304)
Paid during the year	**(7,693)**	(4,106)
Balance at 31 December	**69,215**	57,611

20 Borrowings

	2019	2018
	AED'000	AED'000
Bank credit facilities *(a)*	**1,691,900**	958,656
Term loan *(b)*	**28,086**	-
	1,719,986	958,656

(a) The Bank credit facilities are repayable as follows:

Non-current	**1,691,900**	958,656

The Group has a credit facility of AED 3.3 billion. The facility carries interest at a variable rate. As at 31 December 2019, the amounts utilised from this facility amounted to AED 1,691,900 thousand (*2018: AED 958,656 thousand*). The facility is repayable in one bullet payment on 1 July 2021.

(b) The term loan is repayable as follows:

Current:	**28,086**	-

As a result of the acquisition of Mazroui International Cargo Company LLC (MICCO) during the year, the Group has a term loan from a local bank at an interest rate of EIBOR plus 3.5%. The term loan is repayable in quarterly instalments with final repayment at 2023. As at 31 December 2019, there is a breach of certain financial covenants of loan agreement pertaining to debt service coverage ratio (DSCR) and interest coverage ratio. As a result, the non-current portion of term loan amounting to AED 16,853 thousand has been reclassified to current.

21 Trade and other payables

	2019	2018
	AED'000	AED'000
Contractors and suppliers payables	**48,448**	28,279
Accrued expenses and construction related costs	**954,693**	542,597
Due to related parties *(note 25)*	**120,029**	61,771
Retentions payable	**63,222**	20,027
Customer advances	**268,391**	247,181
Customers deposits	**34,116**	20,741
Advances against projects *(note 25)*	**609,618**	190,646
Other payables	**109,246**	68,530
	2,207,763	1,179,772

The average credit period is 60 days. The Group has financial risk management policies in place to ensure that payables are paid within credit time frame.

22 Revenue

	2019 AED'000	2018 AED'000
Rental income from ports infrastructure	**152,539**	137,185
Marine services	**379,822**	209,291
General cargo and ports operations	**737,728**	607,378
Rental income from Khalifa Port	**157,360**	166,749
Income from industrial zone	**346,215**	336,324
Rental income from warehouses	**117,180**	241,224
Rental income from office space	**634**	983
	1,891,478	1,699,134

Rental income from ports infrastructure represents the rental of berth, trestle and causeway at the Khalifa Port and other charges based on the weight dues and rental of berths in other ports.

Marine services revenue represents revenue from marine services provided to all users of the Ports.

Income from Industrial zone represents lease of industrial and logistic land and prebuilt warehouse at the Khalifa Industrial Zone Abu Dhabi (KIZAD) located adjacent to Khalifa Port.

Rental income from warehouses represents the lease income from warehouses in Mina Zayed and Musaffah.

Rental income from office space represents the lease income from buildings in Mina Zayed and Khalifa Port.

a) Disaggregation of revenue from contracts with customers:

In the following table, revenue from contracts with customers is disaggregated by primary major products and service lines and timing of revenue recognition.

	Cargo and ports operation		*Marine services*		*Rental Income*	
	2019 AED	2018 AED	**2019 AED**	2018 AED	2019 AED	2018 AED
Timing of revenue recognition:						
Products transferred at a point in time	**737,728**	607,378	**379,822**	209,291	-	-
Products and services transferred over time	-	-	-	-	**773,928**	882,465
Revenue from contracts with Customers	**737,728**	607,378	**379,822**	209,291	**773,928**	882,465

23 Direct cost

	2019 **AED'000**	2018 AED'000
Direct expenses	**265,554**	182,589
Staff costs	**221,452**	183,066
Depreciation and amortisation	**291,108**	264,084
Insurance expenses	**12,255**	8,852
Repair and maintenance expenses	**68,796**	54,601
Outsourcing and external manpower cost	**46,377**	53,368
Other expenses	**4,604**	1,032
	910,146	747,592

24 General and administrative expenses

	2019 **AED'000**	2018 AED'000
Staff costs	**213,964**	184,935
Professional fees	**18,759**	12,452
Depreciation of property, plant and equipment *(note 8)*	**46,235**	36,610
Outsourcing and external manpower cost	**106,006**	85,230
Provision for slow moving inventories *(note 15)*	**992**	273
Other expenses	**46,033**	36,251
	431,989	355,751

The Group has made pension contributions amounting to AED 25 million (*2018: AED 24 million*) in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. The Group made social contributions amounting to AED 2 million (*2018: AED 2 million*) during the year ended 31 December 2019.

Staff costs has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **AED'000**	2018 AED'000
Direct costs	221,428	183,066
General and administrative expenses	213,964	184,935
	435,392	368,001

25 Other income

	2019 **AED'000**	2018 AED'000
Gain on disposal of property, plant and equipment	**2,664**	8,346
Others	**13**	193
	2,677	8,539

26 Related party transactions

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2019	2018
	AED'000	AED'000
Trade and other receivables (note 13)		
Abu Dhabi Terminals Company LLC	**274,178**	128,307
K-Shipping Investment Ltd	**89,139**	108,672
Department of Finance – Abu Dhabi	**15,634**	15,256
Other entities controlled by the Group Government of Abu Dhabi	**306,237**	174,089
	685,188	426,324
Less: allowance for impairment	**(77,808)**	(80,887)
	607,380	345,437

Balances with related parties included in the consolidated statement of financial position are as follows:

	2019	2018
	AED'000	AED'000
Accrued income		
Abu Dhabi Terminals Company LLC	**31,418**	22,091
Trade and other payables (note 21)		
Abu Dhabi Terminals Company LLC	**108,895**	55,118
Department of Finance – Abu Dhabi	**609,618**	190,646
Other entities controlled by the Group	**11,134**	6,653
	729,647	252,417
Borrowings (note 20)		
Loans from banks controlled by the Government of Abu Dhabi	**1,691,900**	958,656
Included within cash and bank balances		
Current accounts with banks controlled by the Government of Abu Dhabi	**19,418**	8,241

26 Related party transactions *(continued)*

Transactions with related parties during the year are as follows:

	2019 AED'000	2018 AED'000
Rental income received from KIZAD and warehouses	**60,996**	28,791
Rental income from port infrastructure	**137,858**	132,133
Rental income from Khalifa Port	**126,520**	166,749
Revenue from regular port operations	**621,611**	182,410
Finance income	**14**	121
Finance costs incurred on borrowings obtained from banks controlled by the Government of Abu Dhabi	**39,108**	23,087
Key management compensation		
Short term benefits	**29,645**	31,956
Long term benefits	**3,290**	2,513
	32,935	34,469

27 Contingency and commitments

	2019 AED'000	2018 AED'000
Bank guarantees	**8,705**	3,605

Estimated capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 1,010,936 thousand *(2018: AED 513,674 thousand)*.

28 Financial risk management

Financial risk management

The Group is exposed to the following risks related to financial instruments- credit risk, liquidity risk and interest rate risk. The Directors monitor and manage the financial risks relating to the Group. The Group does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

The Group does not have significant exposure to currency risk as most of its assets are denominated in UAE Dirham or in US Dollars with UAE Dirham being pegged to the US Dollars.

28 Financial risk management *(continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 or 2018. Equity attributable to owners of the Company comprised share capital, statutory reserve, retained earnings (excluding cash flow hedge reserve and assets distribution reserve) and is measured at AED 6,155,443 thousand as at 31 December 2019 *(2018: AED 5,631,409 thousand)*.

	2019	2018
	AED'000	AED'000
Total liabilities	**10,127,755**	8,384,153
Less: cash and bank balances	**(97,215)**	(95,294)
Net debt	**10,030,540**	8,288,859
Total equity attributable to the owners of the Company (excluding cash flow hedge reserve and assets distribution reserve)	**6,155,443**	5,631,409
Net debt to adjusted equity ratio	**1.63**	1.47

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counterparties. The Group has exposure to the following financial assets:

	2019	2018
	AED'000	AED'000
Cash at banks *(note 16)*	**95,096**	93,737
Trade and other receivables	**895,780**	667,416
	990,876	761,153

Balances with banks are assessed to have low credit risk of default since these banks the Group deals with are of a sound financial position.

28 Financial risk management *(continued)*

Credit risk *(continued)*

Concentration of credit risk arises when a number of counter-parties 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.

Of the trade receivables balance at the end of the year, excluding the unbilled Musataha rent receivable, AED 171,567 thousand *(2018: AED 158,039 thousand)* is due from the two largest customers.

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. Trade and other receivables and balances with banks are not secured by any collateral.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The Government and bank borrowings are the major source of funding for the Group and liquidity risk for the Group is assessed to be low.

The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual repayment arrangements was as follows:

	Carrying Amount AED'000	Total AED'000	1 to 6 months AED'000	6 to 12 Months AED'000	1 to 5 Years AED'000	After 5 years AED'000
31 December 2019						
Non-interest bearing financial liabilities	**1,295,638**	**1,295,638**	**1,295,638**	**-**	**-**	**-**
Interest bearing financial liabilities	**2,284,963**	**2,383,653**	**34,919**	**65,145**	**1,779,490**	**504,099**
	3,580,601	**3,679,291**	**1,330,557**	**65,145**	**1,779,490**	**504,099**
31 December 2018						
Non-interest bearing financial liabilities	721,204	721,204	721,204	-	-	-
Interest bearing financial liabilities	1,475,202	1,553,572	2,795	2,242	1,036,467	512,068
	2,196,406	2,274,776	723,999	2,242	1,036,467	512,068

28 Financial risk management *(continued)*

Liquidity risk *(continued)*

The Group expects to meet its contractual funding obligations through a combination of short term borrowings, long term facilities and financing through the capital markets and considerable government support.

Interest rate risk

The Group is exposed to interest rate risk on its bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on floating rate bank borrowings). There is no effect on the Group's equity.

	Effect on profit AED'000
31 December 2019	
+100 increase in basis point	**(22,850)**
-100 decrease in basis point	**22,850**
31 December 2018	
+100 increase in basis point	(14,752)
-100 decrease in basis point	14,752

Fair value of financial instruments

The Group financial assets comprise cash and bank balances, trade receivables, amounts due from related parties and certain other current assets. The Group financial liabilities comprise borrowings, trade payables and certain other current liabilities. Management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

29 Subsequent events

The Group made an announcement on 22 January 2020 to acquire the specialized economic zones company ("ZonesCorp") - sole proprietorship L.L.C, one of the UAE's largest operator of purpose built industrial zones. On 12 February 2020 the Group signed a memorandum of association.

KIZAD and ZonesCorp will provide global customers industrial and free zone offerings, including deep water ports, connectivity by road and rail, tax-free and low-cost manufacturing, with speed and scale.

Integration of Abu Dhabi Ports Company PJSC and Zones Corp is effective from 1 January 2020. The Group is estimating that the integration will increase the revenue by 882 million and net profit by 162 million in the subsequent year. Moreover, the integration of ZonesCorp's industrial assets into the Group's portfolio will enable the Group to enhance the service and product offering to the customers and stakeholders.

The Coronavirus outbreak officially became a global health emergency subsequent to the year end. This may significantly impact the Group's financial performance for 2020. The impact of Covid-19 was considered as part of the 2019 audit including, where relevant, future financial projections and potential disclosure as a post balance sheet event in the 2019 financial statements.