

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 1 GENERAL INFORMATION

The establishment of Aldar Properties PJSC ("the Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005. The Company is domiciled in the United Arab Emirates and its registered office address is PO Box 51133, Abu Dhabi. The Company's ordinary shares are listed on Abu Dhabi Securities Exchange.

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

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### 2.1 STANDARDS ISSUED AND ADOPTED

The Group applied certain standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2015. The Group has also opted for the early adoption of IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Group in relation to its contracts with customers. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment, other than IFRS 15, did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard, interpretation and amendment is described below:

#### IFRS 15 Revenue from contracts with customers

The Group has opted for the early adoption of IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Group in relation to its contracts with customers (refer to Note 3.7 for new accounting policy).

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has reviewed the impact of IFRS 15 on all its business segments and has elected to early adopt IFRS 15, with effect from 1 January 2015. The Group has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Accordingly, the standard has been applied for the year ended 31 December 2015 only (i.e. the initial application period). Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2015 in equity. The details of adjustments to opening retained earnings and other account balances as at 1 January 2015 is detailed below.

#### Consolidated statement of financial position

	31 December 2014 AED'000	Adjustments AED'000	1 January 2015 AED'000
<b>Assets</b>			
Inventory	943,059	(177,677)	<b>765,382</b>
<b>Liabilities</b>			
Advance from customers	1,398,392	(231,919)	<b>1,166,473</b>
<b>Equity</b>			
Retained earnings	6,305,425	54,242	<b>6,359,667</b>

The below table represents impact on revenue, cost of revenue and net profit for the period, had the earlier policy for revenue recognition been continued during the period:

### Consolidated income statement

	As per IFRS 15 AED'000	As per the old policy AED'000	Impact due to the change AED'000
<b>Year ended 31 December 2015:</b>			
Revenue	4,585,540	4,217,191	368,349
Cost of revenue	(2,379,616)	(2,236,055)	(143,561)
Net profit for the year	2,559,867	2,335,078	224,789

### Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

### Annual Improvements 2011-2013 Cycle

The Group has applied these improvements for the first time in these consolidated financial statements. They include:

<i>IFRS 3 Business Combinations</i>	The amendment clarifies for the scope exceptions within IFRS 3 that: <ul style="list-style-type: none"> <li>• Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.</li> <li>• This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.</li> </ul>
<i>IFRS 13 Fair Value Measurement</i>	The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.
<i>IAS 40 Investment Property</i>	The amendment clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

### Annual Improvements 2010-2012 Cycle

The Group has applied these improvements for the first time in these consolidated financial statements. They include:

<i>IFRS 2 Share-based Payment</i>	IFRS 2 clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.
<i>IFRS 3 Business Combinations</i>	The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.
<i>IFRS 8 Operating Segments</i>	The amendments clarifies the disclosure requirements relating to judgements made by management in applying the aggregation criteria including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'. The amendments also clarify that the disclosure requirements relating to reconciliation of segment assets to total assets apply if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
<i>IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets</i>	The amendment clarifies that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. It also clarifies that the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.
<i>IAS 24 Related Party Disclosures</i>	The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) CONTINUED

#### 2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The management intends to adopt these standards, if applicable, when they become effective. The management anticipates that the adoption of these standards interpretations and amendments, with the exception of IFRS 16, will have no material impact on the consolidated financial statements of the Group.

Standards, interpretation and amendments	Effective for annual periods beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IFRS 11 <i>Joint Arrangements: Accounting for Acquisitions of Interests</i>	1 January 2016
Amendments to IAS 16 and IAS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to IAS 16 and IAS 41 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to IAS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Annual Improvements 2012-2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016
Amendments to IAS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016

IFRS 16 has been issued in January 2016 and it supersedes IAS 17. IFRS 16 introduces a single model for accounting of lease and requires lessees to recognise assets and liabilities for most leases, whereas the accounting for the lessor has remained substantially unchanged. The Group is assessing the impact of adopting IFRS 16. The adoption of the standard will result in recognition of additional assets and liabilities for leases where the Group is a lessee.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and also comply with the applicable requirements of the laws in the UAE. The accounting policies have been consistently applied other than changes as a result of application of new and revised standards mentioned in Note 2. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2016.

#### **3.2 BASIS OF PREPARATION**

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties, derivatives and available for sale financial assets. The principal accounting policies are set out below.

These consolidated financial statements have been presented in UAE Dirhams (AED) which is also the functional currency of the Group.

#### **3.3 BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3.3 BASIS OF CONSOLIDATION CONTINUED

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties
Al Jimi Mall LLC	100%	UAE	Development and management of investment property
Addar Real Estate Services LLC	100%	UAE	Property development
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of properties
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Nareel Island Development Company LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Yas Marina LLC <sup>(i)</sup>	100%	UAE	Ownership, development and management of marinas and related activities
Yas Yacht Club LLC <sup>(i)</sup>	100%	UAE	Management of yachts and marine sports
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs
Al Muna Primary School LLC	100%	UAE	Providing educational services
Gate Towers Shams Abu Dhabi LLC <sup>(ii)</sup>	100%	UAE	Development of Gate Towers
Sorouh Abu Dhabi Real Estate LLC	100%	UAE	Act as Mudarib in accordance with the Sukuk Issue structure
Lulu Island for Project Development LLC	100%	UAE	Development of properties and real estate
Tilal Liwa Real Estate Investment LLC	100%	UAE	Property, rental and management
Al Seih Real Estate Management LLC	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC	91.4%	UAE	Property rental and management; real estate projects investment
Pivot Engineering & General Contracting Co. (WLL) <sup>(i)</sup>	65.2%	UAE	Engineering and general construction works
Khidmah LLC	60%	UAE	Management and leasing of real estate

(i) Acquired additional interest of 5.2% during the year ended 31 December 2015. The resulting net gain is accounted for in equity.

(ii) During the year, the Company discontinued certain non-active subsidiaries.

#### 3.4 BUSINESS COMBINATIONS

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

### **3.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised and carried in the consolidated statement of financial position at cost and as adjusted thereafter to recognise for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate and joint venture.

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

Where an entity in the Group transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

### **3.6 INVESTMENT IN JOINT OPERATIONS**

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

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

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

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

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3.7 REVENUE RECOGNITION

The Group has elected to early adopt IFRS 15 with effect from 1 January 2015. As a result of early adoption, the Group has applied the following accounting policy for revenue recognition in the preparation of its consolidated financial statements:

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

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

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

##### Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### Service charges and expenses recoverable from tenant

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

##### Income from hotels

Income from hotels comprises revenue from rooms, food and beverages and other associated services provided, and is recognised at the point when the goods are sold or services are rendered.

##### Income from leisure businesses

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

##### Income from schools

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

##### Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

### **Interest income**

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

### **3.8 LEASING**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessor**

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **The Group as lessee**

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.10 below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **3.9 FOREIGN CURRENCIES**

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

### **3.10 BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period during which they are incurred.

### **3.11 PROPERTY, PLANT AND EQUIPMENT**

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3.11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

	<b>Years</b>
Buildings	20-30
Labour camps	5
Furniture and fixtures	5
Office equipment	3-5
Computers	3
Motor vehicles	4
Leasehold improvements	3-4

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the relevant lease.

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### 3.12 CAPITAL WORK IN PROGRESS

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the 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 accounted in accordance with the Group's policies.

#### 3.13 INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction, including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

#### 3.14 DEVELOPMENT WORK IN PROGRESS

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

#### 3.15 INVENTORIES

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

### **3.16 LAND HELD FOR SALE**

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

### **3.17 INTANGIBLE ASSETS**

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

#### **Computer software**

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

#### **Licenses**

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

### **3.18 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **3.19 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

#### **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### 3.20 EMPLOYEE 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.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the income statement during the employees' period of service.

##### 3.21 GOVERNMENT GRANTS

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

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

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in income statement in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

##### 3.22 FINANCIAL ASSETS

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and receivable include cash and bank balances, trade and other receivables, amounts due from related parties and loans and advances to third parties.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

##### Available for sale (AFS) financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve in equity, with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in the income statement.

Where the AFS investment is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in the investment revaluation reserve is reclassified to the income statement.

Dividends on AFS equity instruments are recognised in income statement when the Group's right to receive the dividends is established.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

For unquoted shares classified as AFS at cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in income statement.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through the income statement are not reversed through income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

#### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

### **3.23 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP**

#### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### 3.24 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in income statement as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

##### Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Note 33.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

##### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in income statement immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss from that date.

##### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in income statement.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in income statement in the periods when the hedged item is recognised in income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in income statement.

#### **4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### **4.1 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

###### **Classification of leases**

The Group, as a lessor, has entered into long-term lease arrangements for plots of land with entities outside the Gulf Cooperation Council (non-GCC entities) whereby the lease term under each lease is valid for a period of 99 years renewable at the option of the lessees for an indefinite duration.

In the process of determining whether these arrangements represent operating leases or finance leases, the Group's management has made various judgments. In making its judgments, the Group's management considered the terms and conditions of the lease agreements and the requirements of IAS 17 *Leases*, including the Basis for Conclusions on IAS 17 provided by the International Accounting Standards Board and related guidance, to determine whether significant risks and rewards associated with the land in accordance with each lease term would have been transferred to the lessees despite there being no transfers of title. The Group evaluated the transfer of risks and rewards before and after entering into the lease arrangements, and has obtained a legal opinion from independent legal advisors. Management has determined that in the lease arrangements referred to above, the Group transferred substantially all risks and rewards of ownership to the lessees with practical ability for the lessees to exercise unilaterally all rights on the plots of land. Accordingly, management is satisfied that these arrangements represent finance leases.

###### **Classification of properties**

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for sale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for sale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by the management.

###### **Judgments in relation to contracts with customers**

###### **Satisfaction of performance obligations**

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

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

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

###### **Determination of transaction prices**

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

#### 4.1 CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

##### Transfer of control in contracts with customers

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

#### 4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### Allocation of transaction price to performance obligation in contracts with customers

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

- a) for development contracts, the cost of development and related infrastructure;
- b) for construction contracts, the certified works as evaluated by project consultant; and
- c) for services contracts, the time elapsed.

##### Fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2015, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range%
Targeted internal rate of return	12-17
Rental yield	7- 12

##### Estimation of net realisable value for inventory and development work in progress

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

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

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

**Useful lives of property, plant and equipment and intangible assets**

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

**Valuation of unquoted AFS equity investments**

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

**Impairment of investments in/receivable from joint ventures and associates**

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/or receivable is recognised as an expense in income statement. Management is satisfied that no additional impairment is required on its investments in associates and joint ventures (Note 8) and its receivables from associates and joint ventures (Note 10.5) in excess of amount already provided.

**Impairment of trade and other receivables**

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired, entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of the current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided (Note 10.1).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
<b>Cost</b>									
1 January 2014	5,959,414	1,504,704	539,158	54,486	80,893	5,396	13,605	488,299	8,645,955
Additions	3,109	3,519	20,003	8,009	8,413	370	40	6,658	50,121
Transfer from investment properties (Note 7)	93,556	-	-	-	-	-	-	-	93,556
Transfers - net	(86,431)	424,299	-	-	-	-	-	(467,280)	(129,412)
Disposals	-	-	(912)	-	-	-	-	-	(912)
1 January 2015	5,969,648	1,932,522	558,249	62,495	89,306	5,766	13,645	27,677	8,659,308
Additions	3,834	94	67,744	15,287	11,161	90	14	(3,804)	94,420
Transfers to investment properties (Note 7)	-	-	-	-	-	-	-	(1,642)	(1,642)
Disposals	-	(278,569)	(8,642)	(3,784)	-	-	-	-	(290,995)
<b>31 December 2015</b>	<b>5,973,482</b>	<b>1,654,047</b>	<b>617,351</b>	<b>73,998</b>	<b>100,467</b>	<b>5,856</b>	<b>13,659</b>	<b>22,231</b>	<b>8,461,091</b>
<b>Accumulated depreciation and impairment</b>									
1 January 2014	2,917,499	1,440,000	436,206	41,044	72,777	2,926	11,414	467,280	5,389,146
Charge for the year	130,447	27,120	60,314	8,719	6,661	812	237	-	234,310
Reversal of impairment (Note 25)	(150,601)	-	-	278	-	-	-	-	(150,323)
Transfers - net	30,050	424,299	-	-	-	-	-	(467,280)	(12,931)
Disposals	-	-	(760)	-	-	-	-	-	(760)
1 January 2015	2,927,395	1,891,419	495,760	50,041	79,438	3,738	11,651	-	5,459,442
Charge for the year	134,804	25,188	38,781	9,893	7,873	748	199	-	217,486
Impairment (Note 25)	139,555	-	-	-	-	-	-	-	139,555
Disposals	-	(278,569)	(8,642)	(3,784)	-	-	-	-	(290,995)
<b>31 December 2015</b>	<b>3,201,754</b>	<b>1,638,038</b>	<b>525,899</b>	<b>56,150</b>	<b>87,311</b>	<b>4,486</b>	<b>11,850</b>	<b>-</b>	<b>5,525,488</b>
<b>Carrying amount</b>									
<b>31 December 2015</b>	<b>2,771,728</b>	<b>16,009</b>	<b>91,452</b>	<b>17,848</b>	<b>13,156</b>	<b>1,370</b>	<b>1,809</b>	<b>22,231</b>	<b>2,935,603</b>
31 December 2014	3,042,253	41,103	62,489	12,454	9,868	2,028	1,994	27,677	3,199,866

All of the Group's property, plant and equipment are located in the United Arab Emirates.

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

	2015 AED'000	2014 AED'000
Cost of sales	10,757	9,106
General and administrative expenses	206,729	225,204
	217,486	234,310

During the year, the Group carried out a review of recoverable amounts of its property, plant and equipment. The review led to an impairment of AED 139.6 million (2014: reversal of impairment of AED 150.3 million) (Note 25), which has been recorded in the consolidated income statement. The recoverable amount of relevant assets has been determined on the basis of their value in use by reference to the discounted cash flow method using a yield of 8% to 9.75% (2014: 8% to 8.5%) and a discount rate of 11% to 12.75% (2014: 11% to 11.5%).

## 6 INTANGIBLE ASSETS

	<b>Licenses AED'000</b>	<b>Computer software AED'000</b>	<b>Total AED'000</b>
<b>Cost</b>			
1 January 2014	1,430	66,612	68,042
Additions	-	5,914	5,914
Write-off	(1,430)	-	(1,430)
1 January 2015	-	72,526	72,526
Additions	-	3,108	3,108
Write-off	-	(429)	(429)
<b>31 December 2015</b>	<b>-</b>	<b>75,205</b>	<b>75,205</b>
<b>Accumulated amortisation</b>			
1 January 2014	12	65,317	65,329
Charge for the year	-	2,466	2,466
Write-off	(12)	-	(12)
1 January 2015	-	67,783	67,783
Charge for the year	-	3,221	3,221
Write-off	-	(429)	(429)
<b>31 December 2015</b>	<b>-</b>	<b>70,575</b>	<b>70,575</b>
<b>Carrying amount</b>			
<b>31 December 2015</b>	<b>-</b>	<b>4,630</b>	<b>4,630</b>
31 December 2014	-	4,743	4,743

## Notes to the Consolidated Financial Statements

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### 7 INVESTMENT PROPERTIES

Investment properties comprise completed properties (residential and office buildings, shopping malls and retail centres) and properties under development, including land under development, measured at fair value. Movement during the year is as follows:

	2015			2014		
	Completed properties AED'000	Properties under development AED'000	Total AED'000	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	13,051,800	1,349,406	14,401,206	7,191,216	4,834,765	12,025,981
Development costs incurred during the year	1,295	42,376	43,671	4,975	948,578	953,553
Finance cost capitalised (Note 27)	-	285	285	-	118,368	118,368
Increase/(decrease) in fair value – net	1,091,609	(604,598)	487,011	474,157	-	474,157
Unrealised gain arising on transactions with a subsidiary	-	-	-	(34,032)	-	(34,032)
Disposals	(32,832)	-	(32,832)	(53,814)	-	(53,814)
Additions	330,000	-	330,000	-	-	-
Transfer upon completion	-	-	-	4,552,305	(4,552,305)	-
Transfers from/(to):						
Property, plant and equipment (Note 5)	1,642	-	1,642	(93,556)	-	(93,556)
Development work in progress (Note 11)	-	-	-	844,712	-	844,712
Inventories	339,321	-	339,321	165,837	-	165,837
Balance at the end of the year	14,782,835	787,469	15,570,304	13,051,800	1,349,406	14,401,206

The fair value of a building has been calculated by management with reference to discounted future estimated cash flows based on the existing lease contracts and the use of a discount rate of 10% per annum.

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuations were mainly determined by using the Income Capitalisation Method. The effective date of the valuation is 31 October 2015; management believes that there has been no significant change to the investment properties' fair values as at 31 December 2015. Refer to Note 4.2 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

The Company conducted a sensitivity analysis for nine largest assets in its Investment Property Portfolio with an aggregate value of AED 11.27 billion. The valuation technique used for these assets is Income Capitalisation Method and Discounted Cash Flow Method. The sensitivity is conducted on the Capitalisation Rates and Rental Values.

#### Sensitivity to significant changes in unobservable inputs:

- A decrease in the Capitalisation/Discount Rate by 50bps would result in a AED 725 million or 6.4% increase in the valuation, whilst an increase in the Capitalisation/Discount Rate by 50bps would result in AED 640 million or 5.7% decrease in the valuation.
- An increase in the rental rates by 10% would result in a AED 895 million or 7.9% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 895 million or 7.9% decrease in the valuation.

There are interrelationships between the unobservable inputs which are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalisation rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalisation rate would amplify an increase in the value.

The investment properties, both completed and properties under development, are categorised under Level 3 in the fair value hierarchy.

## 8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2015 AED'000	Additions AED'000	Share in current year's profit/(loss) AED'000	Share in hedging reserve AED'000	Dividends received AED'000	Allocated to current account of the associates/ventures AED'000	Reversal of impairment/(impairment) AED'000	Disposals AED'000	Share in underlying net assets at 31 December 2015 AED'000
<b>Investee Associates</b>												
Green Emirates Properties PJSC	40%	40%	Abu Dhabi	85,757	-	(210)	-	(94,150)	-	8,603	-	-
Al Fayafi Al Khadra Company LLC	40%	40%	Abu Dhabi	800	-	-	-	-	-	-	-	<b>800</b>
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	-	-	-	-	-	-	-	-	-
Bunya LLC	33%	33%	Abu Dhabi	-	-	-	-	-	-	-	-	-
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	130,739	-	10,903	-	-	-	-	-	<b>141,642</b>
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	38,897	-	61,945	-	-	-	-	-	<b>100,842</b>
World-Class Initiatives and Standards in Education LLC <sup>(i)</sup>	20%	20%	Abu Dhabi	10,000	-	-	-	-	-	-	(10,000)	-
Iskandar Holdings Ltd	19%	19%	Cayman Islands	6,861	-	-	-	-	-	-	-	<b>6,861</b>
				273,054	-	72,638	-	(94,150)	-	8,603	(10,000)	<b>250,145</b>
<b>Joint ventures</b>												
Aldar Besix LLC	51%	50%	Abu Dhabi	16,030	-	55	-	-	-	-	-	<b>16,085</b>
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	410,235	-	71,284	8,515	(45,500)	-	-	-	<b>444,534</b>
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	21,492	-	5,422	-	(5,000)	-	-	-	<b>21,914</b>
Royal House LLC	50%	50%	Abu Dhabi	-	-	(6,967)	-	-	6,967	-	-	-
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	84,533	-	9,790	-	(2,750)	-	-	-	<b>91,573</b>
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	106,601	-	15,257	-	(13,000)	-	-	-	<b>108,858</b>
S&T District Cooling Co. LLC	50%	50%	Abu Dhabi	49	-	-	-	-	-	-	-	<b>49</b>
Galaxy Building Materials	45%	50%	Abu Dhabi	10,440	-	(6,156)	-	-	-	-	-	<b>4,284</b>
				649,380	-	88,685	8,515	(66,250)	6,967	-	-	<b>687,297</b>
				922,434	-	161,323	8,515	(160,400)	6,967	8,603	(10,000)	<b>937,442</b>

(i) During the year, the Company discontinued certain non-active associates.

## Notes to the Consolidated Financial Statements

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### 8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES CONTINUED

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

	2015 AED'000	2014 AED'000
Total assets	<b>2,589,513</b>	2,849,518
Total liabilities	<b>(1,764,402)</b>	(2,072,601)
Net assets	<b>825,111</b>	776,917
Group's share of net assets of associates	<b>250,145</b>	273,054
Total revenue	<b>447,912</b>	168,679
Total profit for the year	<b>92,277</b>	9,995

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

	2015 AED'000	2014 AED'000
Total assets	<b>2,976,562</b>	2,947,613
Total liabilities	<b>(1,872,186)</b>	(1,900,290)
Net assets	<b>1,104,376</b>	1,047,323
Group's share of net assets of joint ventures	<b>687,297</b>	649,380
Total revenue	<b>337,020</b>	338,735
Total profit for the year	<b>124,356</b>	191,104

### 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 AED'000	2014 AED'000
Investment in UAE quoted securities	<b>30,600</b>	34,170
Investment in UAE unquoted securities	<b>35,201</b>	35,201
Investment in international unquoted securities	<b>57,172</b>	38,636
	<b>122,973</b>	108,007

Movement during the year is as follows:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	<b>108,007</b>	102,642
Additions	<b>10,397</b>	4,315
Disposals	-	(9,646)
Fair value gain during the year - net	<b>9,270</b>	10,696
Repayment of capital	<b>(4,701)</b>	-
Balance at the end of the year	<b>122,973</b>	108,007

During the year, dividend income received amounted to AED 1 million (31 December 2014: AED 7.3 million).

## 10 TRADE AND OTHER RECEIVABLES

	2015 AED'000	2014 AED'000
<b>Non-current portion</b>		
Trade receivables (Note 10.1)	-	6,935
Less: provision for impairment and cancellations	-	(6,935)
	-	-
Receivable from project finance (Note 10.3)	<b>157,382</b>	163,588
Receivable from the Government of Abu Dhabi (Note 10.4)	<b>331,744</b>	655,458
Due from associates and joint ventures (Notes 10.5)	<b>93,625</b>	101,937
Other	<b>14,000</b>	14,000
	<b>596,751</b>	934,983
<b>Current portion</b>		
Trade receivables (Note 10.1)	<b>2,000,782</b>	2,522,350
Less: provision for impairment and cancellations	<b>(536,857)</b>	(552,235)
	<b>1,463,925</b>	1,970,115
Refundable costs (Note 10.2)	<b>315,744</b>	2,107,207
Receivable from project finance (Note 10.3)	<b>20,148</b>	17,927
Receivable from the Government of Abu Dhabi (Note 10.4)	<b>790,223</b>	2,055,347
Due from associates and joint ventures (Note 10.5)	<b>256,747</b>	366,020
Gross amount due from customers on contracts for sale of properties (Note 10.6)	<b>111,408</b>	-
Gross amount due from customers on contracts to construct an asset (Note 10.7)	<b>188,642</b>	414,792
Advances and prepayments	<b>1,335,661</b>	1,060,737
Accrued interest	<b>25,679</b>	10,148
Other	<b>430,140</b>	682,132
	<b>4,938,317</b>	8,684,425

### 10.1 TRADE RECEIVABLES

Trade receivables represent mainly the amounts due from sales of plots of land, properties and revenue from construction contracts. At the end of the year, 55% of the trade receivables (2014: 55% of the trade receivables) is due from its top five customers. Concentration of credit risk is mitigated due to the fact that the customers have already made instalment payments, in some cases substantial, on the plots, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover losses incurred by the Group.

Interest is charged at 12% per annum on the outstanding past due amounts from sales of plots and properties. No collateral is taken on trade receivables.

	2015 AED'000	2014 AED'000
<i>Ageing of trade receivables:</i>		
Not past due	<b>424,729</b>	842,823
Not past due but impaired	-	6,935
Past due but not impaired (more than 180 days)	<b>1,039,196</b>	1,127,292
Past due and impaired (more than 180 days)	<b>536,857</b>	552,235
Total trade receivables	<b>2,000,782</b>	2,529,285

Movement during the year in provision for impairment and cancellations in trade receivables is as follows:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	<b>559,170</b>	596,832
Impairment recognised during the year (Note 25)	<b>15,302</b>	28,033
Released upon cancellation of sales	<b>(37,615)</b>	(65,695)
Balance at the end of the year	<b>536,857</b>	559,170

### 10.2 REFUNDABLE COSTS

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation with development of infrastructure of various projects and real estate developments. These amounts will be refunded by the relevant Government Authorities upon completion.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 10 TRADE AND OTHER RECEIVABLES CONTINUED

#### 10.3 RECEIVABLE FROM PROJECT FINANCE

	Minimum payments		Present value of minimum payments	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
<i>Current receivables:</i>				
Within one year	<b>25,439</b>	21,854	<b>20,148</b>	17,927
<i>Non-current receivables:</i>				
In the second to fifth year	<b>79,773</b>	76,017	<b>51,561</b>	51,249
After five years	<b>286,672</b>	308,963	<b>105,821</b>	112,339
	<b>366,445</b>	384,980	<b>157,382</b>	163,588
Amounts receivable from project finance	<b>384,857</b>	402,884	<b>177,530</b>	181,515
Less: unearned finance income	<b>(207,327)</b>	(221,369)	<b>-</b>	-
Present value of minimum payments receivable	<b>177,530</b>	181,515	<b>177,530</b>	181,515

#### 10.4 RECEIVABLE FROM THE GOVERNMENT OF ABU DHABI

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold in 2009 and 2011 and the recognition of revenue on land plots handed over.

#### 10.5 DUE FROM ASSOCIATES AND JOINT VENTURES

	Non-current		Current	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Gross receivables	<b>168,670</b>	169,429	<b>272,878</b>	382,151
Less: provision for impairment	<b>(75,045)</b>	(67,492)	<b>(16,131)</b>	(16,131)
	<b>93,625</b>	101,937	<b>256,747</b>	366,020

#### 10.6 CONTRACTS WITH CUSTOMERS FOR SALE OF PROPERTIES

	2015 AED'000	2014 AED'000
Amount due from customers included in trade and other receivables (Note 10)	<b>111,408</b>	-
Amount due to customers included in trade and other payables (Note 20)	<b>(653,562)</b>	-
	<b>(542,154)</b>	-
Total contracts cost incurred plus recognised profits less recognised losses to date	<b>588,375</b>	-
Less: total progress billings to date	<b>(1,130,529)</b>	-
	<b>(542,154)</b>	-

The above represents deferred revenue arising from sale of land and units. With respect to the above contracts, revenue aggregating to AED 2,454 million is expected to be recognised over the term of these contracts.

#### 10.7 CONTRACTS WITH CUSTOMERS FOR CONSTRUCTION

	2015 AED'000	2014 AED'000
Amount due from customers included in trade and other receivables (Note 10)	<b>188,642</b>	414,792
Amount due to customers included in trade and other payables (Note 20)	<b>(47,554)</b>	(113,341)
	<b>141,088</b>	301,451
Total contracts cost incurred plus recognised profits less recognised losses to date	<b>7,254,868</b>	8,253,294
Less: total progress billings to date	<b>(7,113,780)</b>	(7,951,843)
	<b>141,088</b>	301,451

The above represents unbilled revenue arising from construction contracts. With respect to the above contracts, revenue aggregating to AED 1,023 million is expected to be recognised over the period of these contracts.

## 11 DEVELOPMENT WORK IN PROGRESS

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

	2015 AED'000	2014 AED'000
Balance at beginning of the year	<b>2,870,995</b>	4,310,918
Development costs incurred during the year	<b>311,021</b>	300,921
Derecognised on disposal of a subsidiary (Note 36)	-	(44,333)
<i>Transfers (to)/from:</i>		
Investment properties (Note 7)	-	(844,712)
Refundable costs	-	22,419
<i>Projects completed during the year:</i>		
Transferred to inventories (Note 12)	-	(675,260)
Recognised in costs of properties sold	<b>(427,475)</b>	(165,757)
Impairments/write-offs of project costs (Note 25)	<b>(9,565)</b>	(33,201)
Balance at the end of the year	<b>2,744,976</b>	2,870,995

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

## 12 INVENTORIES

	2015 AED'000	2014 AED'000
Completed properties	<b>276,532</b>	913,408
Other operating inventories	<b>52,874</b>	29,651
	<b>329,406</b>	943,059

Completed properties in inventories are located in the United Arab Emirates.

## 13 CASH AND CASH EQUIVALENTS

	2015 AED'000	2014 AED'000
Cash and bank balances	<b>1,427,268</b>	1,894,064
Short-term deposits held with banks	<b>4,832,486</b>	2,770,297
Cash and bank balances	<b>6,259,754</b>	4,664,361
Short-term deposits with original maturities greater than three months	<b>(3,654,944)</b>	(621,779)
Restricted bank balances	<b>(1,000,643)</b>	(916,595)
Cash and cash equivalents	<b>1,604,167</b>	3,125,987

During the year, the Group held amounts related to one of its associates in addition to community service charges and security deposits on behalf of the owners of units in certain buildings or communities that are managed by the Group. At the end of the reporting period, an amount of AED 585 million (2014: AED 621.9 million) is not included in the Group's bank balances and cash as it is held by the Group on behalf of third parties.

The interest rate on term deposits ranges between 0.1875% and 2.65% (2014: 0.55% and 2.00%) per annum. All fixed deposits are placed with local banks in the United Arab Emirates.

## 14 SHARE CAPITAL

Share capital comprises 7,862,629,603 (2014: 7,862,629,603) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

## 15 STATUTORY RESERVE

In accordance with its Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the profit of the Company is transferred to a statutory reserve that is non-distributable. Transfers to this reserve may be suspended whenever the reserve reaches 50% of the paid up share capital of the Company.



## Notes to the Consolidated Financial Statements

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### 16 NON-CONVERTIBLE SUKUK

	2015 AED'000	2014 AED'000
Proceeds from issue	2,755,125	2,755,125
Gross issue costs	(18,033)	(17,731)
Less: amortisation of issue costs	8,313	4,323
Unamortised issue costs	(9,720)	(13,408)
Add: Accrued profit	9,983	9,983
Carrying amount	2,755,388	2,751,700
Less: current portion	(9,983)	(9,983)
Non-current portion	2,745,405	2,741,717
Total finance cost capitalised during the year	124	72,733

In December 2013, the Group issued non-convertible Sukuk (Ijarah) for a total value of AED 2.75 billion (USD 750 million). The Sukuk has a profit rate of 4.348% per annum payable semi-annually and is due for repayment in December 2018.

### 17 BANK BORROWINGS

	Outstanding amount			Security	Interest rate	Maturity	Purpose	Capitalised interest
	Current AED'000	Non-current AED'000	Total AED'000					
<b>31 December 2015</b>								
Government loan	81,505	163,010	244,515	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	-
Term loan	-	280,000	280,000	Secured	relevant EIBOR + 1.30%	July 2019	Refinancing of debt	13
Term loan	-	600,000	600,000	Secured	relevant EIBOR + 1.35%	July 2019	Refinancing of debt	27
Term loan	-	160,000	160,000	Secured	relevant EIBOR + 1.40%	June 2019	Refinancing of debt	7
Term loan	-	959,472	959,472	Secured	3 months LIBOR + 1.40%	November 2018	General corporate purpose	63
Ijarah facility	-	280,000	280,000	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose	13
Revolving credit facilities	-	-	-	Secured	EIBOR + Margin	March 2021	General corporate purpose	-
Lease facility	-	80,000	80,000	Secured	relevant EIBOR + 1.40%	December 2019	General corporate purpose	4
Term loan	312,500	312,500	625,000	Secured	3 months EIBOR + 1%	December 2017	General corporate purpose	34
Unamortised borrowing cost	-	(44,902)	(44,902)					-
Accrual for interests and profits	7,339	-	7,339					-
	<b>401,344</b>	<b>2,790,080</b>	<b>3,191,424</b>					<b>161</b>
<b>31 December 2014</b>								
Government loan	80,724	242,173	322,897	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	-
Term loan	-	280,000	280,000	Secured	relevant EIBOR + 1.30%	July 2019	Refinancing of debt	738
Term loan	-	-	-	Secured	3 months EIBOR + 3.50%	June 2014	Working capital requirements	700
Murabaha financing	-	-	-	Secured	6 months EIBOR + 0.85%	April 2014	General corporate purpose	191
Murabaha financing	-	-	-	Secured	6 months EIBOR + 0.85%	April 2014	General corporate purpose	104
Murabaha financing	-	-	-	Secured	3 months EIBOR + 2.75%	May 2014	Al Bateen Park	917
Term loan	-	600,000	600,000	Secured	relevant EIBOR + 1.35%	July 2019	Refinancing of debt	2,931
Revolving credit facilities	-	153,817	153,817	Secured	EIBOR + Margin	June / July 2017	General corporate purpose	-
Term loan	-	160,000	160,000	Secured	relevant EIBOR + 1.40%	June 2019	Refinancing of debt	422
Term loan	-	1,377,000	1,377,000	Secured	3 months LIBOR + 1.40%	November 2016	General corporate purpose	5,356
Revolving loan	152,083	1,112,118	1,264,201	Secured	3 months LIBOR + 1.40%	November 2018	General corporate purpose	5,356
Ijarah facility	-	280,000	280,000	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose	-
Ijarah facility	-	-	-	Secured	3 months EIBOR + 3.40%	April 2015*	General corporate purpose	9,792
Murabaha facility	-	-	-	Secured	3 months EIBOR + 3.75%	November 2014	General corporate purpose	2,674
Revolving loan	1,000,000	-	1,000,000	Secured	3 months EIBOR + 1.50%	January 2015	General corporate purpose	11,548
Lease facility	-	80,000	80,000	Secured	relevant EIBOR + 1.40%	December 2019	General corporate purpose	-
Term loan	312,500	625,000	937,500	Secured	3 months EIBOR + 1%	December 2017	General corporate purpose	4,906
Unamortised borrowing cost	-	(54,608)	(54,608)					-
Accrual for interests and profits	17,091	-	17,091					-
	1,562,398	4,855,500	6,417,898					45,635

\* The full loan balance was prepaid in 2014.

The borrowings are repayable as follows:

	<b>2015</b> <b>AED'000</b>	2014 AED'000
<i>Current:</i>		
Within one year	<b>401,344</b>	1,562,398
<i>Non-current:</i>		
In the second to fifth year	<b>2,790,080</b>	4,855,500
	<b>3,191,424</b>	6,417,898

In March 2012, the Group signed a loan facility for AED 4.0 billion. In January 2015, the Group repaid in full the remaining AED 1.0 billion outstanding balance as at the end of December 2014.

In November 2013, the Group signed a term loan facility for AED 1.25 billion repayable in four equal installments commencing 15 December 2014. This loan is secured by assignment of Government receivables. The balance as of 31 December 2015 was AED 625 million.

In November 2013, the Group signed a term loan facility for USD 750 million (AED 2.75 billion) which USD 375 million (Facility A) is repayable in one bullet payment in November 2016 and the remaining USD 375 million (Facility B) is repayable in quarterly installments until November 2018. During 2015, the Group pre-paid the full balance of Facility A and USD 41.4 million of quarterly installments under Facility B due in 2016.

In July 2014, the Group signed a number of bilateral facilities with banks for AED 3.2 billion. The facilities comprised of AED 1.8 billion of committed revolving credit facilities for a tenor of three years and AED 1.4 billion of term loans with a maturity of five years. In December 2015, the Group has renegotiated the terms of the revolving credit facilities increasing the facility amounts from AED 1.8 billion to AED 2.0 billion and extending the maturity until 31 March 2021 with an option to extend the maturity for a further two years with banks' approval.

Loan securities are in the form of mortgages over plots of land, assignment of project receivables and lien on bank deposits. Certain Group's borrowings carry a net worth covenant.

Borrowings repaid during the year amounted to AED 3.23 billion (2014: AED 5.85 billion).

## **18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT**

Movement in the provision for end of service benefit is as follows:

	<b>2015</b> <b>AED'000</b>	2014 AED'000
Balance at the beginning of the year	<b>101,919</b>	96,901
Charge for the year (Note 24)	<b>25,065</b>	23,628
Paid during the year	<b>(11,109)</b>	(18,610)
Balance at the end of the year	<b>115,875</b>	101,919

## **19 ADVANCES FROM CUSTOMERS**

Advances from customers represent installments collected from customers against sale of the Group's property developments. This also includes net advances received from the Government of Abu Dhabi (Note 31) amounting to AED 409 million (2014: AED 415.4 million).

## Notes to the Consolidated Financial Statements

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### 20 TRADE AND OTHER PAYABLES

	2015 AED'000	2014 AED'000
Trade payables	367,809	426,198
Accrual for contractors' costs	1,674,009	2,159,456
Accrual for infrastructure costs	8,151	263,918
Advances from the Government of Abu Dhabi	4,237,508	4,311,156
Deferred income	459,809	361,216
Dividends payable	106,042	92,359
Provision for onerous contracts	102,918	83,363
Gross amount due to customers on contracts for sale of properties (Note 10.6)	653,562	-
Gross amount due to customers on contracts to construct an asset (Note 10.7)	47,554	113,341
Other liabilities	634,513	685,397
	<b>8,291,875</b>	8,496,404

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

### 21 REVENUE

	2015 AED'000	2014 AED'000
Property development and management	1,269,990	4,131,721
Operating businesses	3,315,550	2,419,357
	<b>4,585,540</b>	6,551,078

### 22 DIRECT COSTS

	2015 AED'000	2014 AED'000
Cost of property development and management	600,263	3,628,672
Direct costs of operating businesses	1,779,353	1,404,000
	<b>2,379,616</b>	5,032,672

### 23 SELLING AND MARKETING EXPENSES

	2015 AED'000	2014 AED'000
Corporate advertising	21,859	12,316
Exhibitions and sponsorships	9,730	8,111
Project marketing	26,992	15,113
Other	2,685	-
	<b>61,266</b>	35,540

### 24 STAFF COSTS

	2015 AED'000	2014 AED'000
Salaries, bonuses and other benefits	634,413	578,278
Post-employment benefit (Note 18)	25,065	23,628
Staff training and development	4,794	6,165
	<b>664,272</b>	608,071
<i>Staff costs allocated to:</i>		
Direct operating costs	409,598	355,272
General and administrative expenses	229,509	231,226
Projects under development	25,165	21,573
	<b>664,272</b>	608,071

## 25 (PROVISIONS, IMPAIRMENTS AND WRITE DOWNS)/REVERSALS - NET

	2015 AED'000	2014 AED'000
Impairment/(reversal of impairment) of property, plant and equipment (Note 5)	<b>(139,555)</b>	150,323
Provision for trade receivables (Note 10.1)	<b>(15,302)</b>	(28,033)
Write down of land held for sale	<b>(112,234)</b>	-
Impairment/write-off of development work in progress (Note 11)	<b>(9,565)</b>	(33,201)
Reversal of impairment of inventories	-	105,940
Reversal of impairment of investment in an associate (Note 8)	<b>8,603</b>	2,877
Write-off of refundable costs	<b>(14,476)</b>	-
Others	<b>(6,605)</b>	(1,423)
	<b>(289,134)</b>	196,483

## 26 FINANCE INCOME

	2015 AED'000	2014 AED'000
<i>Interest/profit earned on:</i>		
Islamic deposits	<b>11,365</b>	7,482
Bank fixed deposits	<b>26,072</b>	11,508
Call and current accounts	<b>821</b>	812
Total interest/profit earned	<b>38,258</b>	19,802
Financing element earned on receivables - net	<b>24,173</b>	49,103
Financing income earned on receivables from project finance	<b>14,042</b>	34,130
Other finance income	<b>22,001</b>	7,552
	<b>98,474</b>	110,587

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

	2015 AED'000	2014 AED'000
Loans and receivables	<b>60,216</b>	90,785
Cash and bank balances	<b>38,258</b>	19,802
	<b>98,474</b>	110,587

## 27 FINANCE COSTS

	2015 AED'000	2014 AED'000
Gross costs	<b>232,169</b>	490,297
Less: amounts included in the cost of qualifying assets <sup>(i)</sup>	<b>(285)</b>	(118,368)
	<b>231,884</b>	371,929
Recycling of hedging reserve loss	<b>7,777</b>	9,866
	<b>239,661</b>	381,795

(i) The weighted average capitalisation rate of funds borrowed is 3.2% (2014: 4.52%) per annum.

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### 28 OTHER INCOME

	2015 AED'000	2014 AED'000
Reversal of infrastructure cost accruals	-	63,405
Government grant income recognised upon handover of units in the Gate Tower (Note 31.1.b)	-	346,928
Government grant income recorded upon handover of infrastructure assets (Note 31.1.c)	<b>165,668</b>	311,128
Government grant income related to costs recovered from the Government (Note 31.2)	-	83,121
Release of Infrastructure accruals <sup>(i)</sup>	<b>457,717</b>	-
Others	<b>70,782</b>	48,998
	<b>694,167</b>	853,580

(i) This relates to release of infrastructure cost accruals and other liabilities upon finalisation of costs on a certain master planned community development.

### 29 EARNINGS PER SHARE

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

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

	2015	2014
<b>Earnings (AED '000)</b>		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<b>2,536,794</b>	2,235,136
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>7,862,629,603</b>	7,862,629,603
<b>Basic and diluted earnings per share attributable to owners of the Company in AED</b>	<b>0.323</b>	0.284

### 30 DIVIDENDS

At the annual general assembly held on 18 March 2015, the shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 9 fils per share for a total of AED 707.6 million. The Board of Directors propose a cash dividend of AED 10 fils per share for the year ended 31 December 2015. The proposed dividend is subject to the approval of the shareholders at the annual general assembly.

### 31 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Related party balances:

	2015 AED'000	2014 AED'000
<b>Due from/(to) Government:</b>		
Refundable costs (Notes 10.2)	<b>315,744</b>	2,107,207
Receivable from assets sold (Note 10)	<b>1,121,967</b>	2,710,805
Other receivables	<b>188,090</b>	195,703
	<b>1,625,801</b>	5,013,715
<b>Advances received (Notes 19 and 20)</b>	<b>(4,646,500)</b>	(4,726,603)
<b>Due from associates and joint ventures (Note 10.5)</b>	<b>350,372</b>	467,957
<b>Due to joint ventures for project-related work</b>		
Contract payables	<b>(32,692)</b>	(32,692)
Retention payables	<b>(815)</b>	(815)
	<b>(33,507)</b>	(33,507)

Certain receivables from joint ventures carry interest of 9% per annum and are repayable within two to five years.

	2015 AED'000	2014 AED'000
<b>Due (to)/from major shareholder owned by Government and/or its associated companies:</b>		
Receivable from project finance (Note 10.3)	<b>142,798</b>	146,783
Due to a major shareholder – net	<b>(150,716)</b>	(126,714)
	<b>(7,918)</b>	20,069

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

	2015 AED'000	2014 AED'000
<b>Key management compensation:</b>		
Salaries, bonuses and other benefits	<b>12,963</b>	14,866
Post-employment benefits	<b>471</b>	689
	<b>13,434</b>	15,555
<b>Directors remuneration paid</b>	<b>25,000</b>	23,999
<b>Income from the Government and major shareholder owned by the Government</b>		
Revenue from sale of land and properties	<b>10,000</b>	1,253,327
Project management income	<b>149,604</b>	63,811
Rental income	<b>300,060</b>	242,797
Government grant income (Note 28)	<b>165,668</b>	741,177
	<b>625,332</b>	2,301,112
<b>Work provided by joint ventures</b>	<b>102</b>	311
<b>Finance income from project finance and joint ventures</b>	<b>23,447</b>	38,543

31.1 In January 2013, the Government of Abu Dhabi had agreed to reimburse up to AED 1.6 billion of infrastructure costs and to purchase units in the Gate Towers development for AED 1.6 billion. As of 31 December 2015, AED 2.9 billion has been received. These transactions have been accounted for as follows:

- AED 1.6 billion of the amount received has been recorded as an advance received from the Government, included in "advances from customers" and AED 1.3 billion has been recorded as "advances from the Government of Abu Dhabi" under trade and other payables. As of 31 December 2015, the balance in "advances from the customers" is AED Nil (Note 19) and AED 554.0 million in "advances from the Government of Abu Dhabi" (Note 20).
- The difference between the selling price of units in the Gate Towers and the fair market price has been recorded as a deferred Government grant under trade and other payables (Note 20). During the year, an amount of AED Nil was recognised as Government grant income upon handover of units (2014: AED 346.9 million) (Note 28).
- The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant in the consolidated statement of financial position. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised as other income in income statement. During the year, an amount of AED 165.7 million (2014: AED 311.1 million) was recognised as government grant income, recorded under other income in the consolidated income statement (Note 28), upon handover of infrastructure assets.

31.2 During the year the Group recognised AED Nil (2014: AED 83.1 million) as government grant income being compensations received for certain costs previously incurred.

31.3 Outstanding borrowings of AED 1,993.8 million (31 December 2014: AED 3,534.2 million) are due to the Government and banks controlled by the Government. Finance cost on these borrowings amounted to AED 58.3 million (2014: AED 111.4 million).

31.4 Outstanding deposits of AED 2,510.3 million (31 December 2014: AED 1,647.3 million) are kept with banks controlled by the Government. Finance income on these deposits amounted to AED 19.3 million (2014: AED 9.2 million).

## Notes to the Consolidated Financial Statements

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### 32 COMMITMENTS AND CONTINGENCIES

#### 32.1 CAPITAL COMMITMENTS

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

	2015 AED'000	2014 AED'000
Projects under development	<b>1,481,828</b>	420,169
Reimbursable project works in progress	<b>4,364,283</b>	5,466,525
Investment in associates	<b>30,342</b>	79,569
Other	<b>-</b>	4,090
	<b>5,876,453</b>	5,970,353

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

The Group has outstanding advances to the suppliers and contractors amounting to AED 1,159 million (2014: AED 937.1 million) against the above commitments.

#### 32.2 OPERATING LEASE COMMITMENTS

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

##### The Company as lessor

	2015 AED'000	2014 AED'000
<i>Buildings:</i>		
Within one year	<b>775,758</b>	899,249
In the second to fifth year	<b>2,061,257</b>	2,414,957
After five years	<b>533,431</b>	791,158
	<b>3,370,446</b>	4,105,364

##### The Company as lessee

The Company has annual operating lease commitments with respect to rental of land and buildings. The minimum lease payments are as follows:

	2015 AED'000	2014 AED'000
<i>Land:</i>		
Within one year	<b>58,821</b>	59,048
In the second to fifth year	<b>143,105</b>	160,465
After five years	<b>329,602</b>	360,493
	<b>531,528</b>	580,006

The Group does not have the option to purchase the leased premises at expiry of the lease period but the lease can be renewed upon mutual agreements of both parties.

#### 32.3 CONTINGENCIES

##### Letters of credit and bank guarantees

	2015 AED'000	2014 AED'000
<b>Letters of credit and bank guarantees:</b>		
Issued by the Group	<b>589,800</b>	497,516
Group's share in contingencies of joint ventures and associates	<b>232,369</b>	243,039

### 33 FINANCIAL INSTRUMENTS

#### 33.1 SIGNIFICANT ACCOUNTING POLICIES

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

#### 33.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 AED'000	2014 AED'000
<b>Financial assets</b>		
Available-for-sale financial assets	<b>122,973</b>	108,007
Loans and receivables (including cash and bank balances)	<b>11,663,166</b>	13,223,032
<b>Total</b>	<b>11,786,139</b>	13,331,039
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>9,544,336</b>	14,122,471
Derivative instruments	<b>20,424</b>	29,512
<b>Total</b>	<b>9,564,760</b>	14,151,983

#### 33.3 FINANCIAL RISK MANAGEMENT

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

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

The Group analyses financial risks under the following captions:

#### 33.4 CAPITAL RISK MANAGEMENT

Capital risk is the risk that the Group is not able to manage its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

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

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

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

The Group monitors its cost of debt on a regular basis. At 31 December 2015, the weighted average cost of debt was 3.17% (2014: 2.65%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of six (2014: six) borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.



## Notes to the Consolidated Financial Statements

### For the year ended 31 December 2015

#### 33 FINANCIAL INSTRUMENTS CONTINUED

##### 33.5 MARKET RISK MANAGEMENT

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

##### a) Foreign currency risk management

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

##### Foreign currency sensitivity analysis

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

	Liabilities		Assets	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
US Dollar	<b>3,788,767</b>	5,400,249	<b>1,057,576</b>	942,762
Pound Sterling <sup>(i)</sup>	<b>132</b>	131	-	-
Euro <sup>(ii)</sup>	-	432	-	-
	<b>3,788,899</b>	5,400,812	<b>1,057,576</b>	942,762

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

Based on the sensitivity analysis, to a 20% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

- i) there is AED 26 thousand (2014: AED 26 thousand) net revaluation gain on the Pound Sterling outstanding balances; and
- ii) there is AED Nil (2014: AED 86 thousand gain) net revaluation on the Euro outstanding balances.

##### b) Interest rate risk management

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 13, 16, and 17.

##### Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by AED 32.2 million (2014: AED 39.3 million). The Company's sensitivity to interest rates has decreased due to significant loan repayments during the year.

##### Interest rate swap contracts

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

##### Cash flow hedges

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

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

### **33.6 CREDIT RISK MANAGEMENT**

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

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

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

#### **Concentration of credit risk**

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by having received installment payments, in some cases substantial, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover the losses incurred by the Group.

At 31 December 2015, 100% (2014: 100%) of the deposits were placed with six banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are regulated by the central bank.

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

### **33.7 LIQUIDITY RISK MANAGEMENT**

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 33 FINANCIAL INSTRUMENTS CONTINUED

#### 33.7 LIQUIDITY RISK MANAGEMENT CONTINUED

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial assets and liabilities based on the earliest date on which the Group can be required to pay or collect. The table includes both interest and principal cash flows. Maturity profile of non-derivative financial assets and liabilities at the end of the reporting period is as follows:

	Effective interest rate	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
<b>31 December 2015</b>							
<b>Financial assets</b>							
Non-interest bearing instruments		<b>3,700</b>	<b>208,739</b>	<b>3,398,122</b>	<b>725,464</b>	<b>93,626</b>	<b>4,429,651</b>
Receivables from project finance	<b>8.07%</b>	<b>-</b>	<b>5,125</b>	<b>20,314</b>	<b>79,773</b>	<b>279,645</b>	<b>384,857</b>
Variable interest rate instruments	<b>Note 13</b>	<b>1,492,463</b>	<b>1,108,311</b>	<b>3,684,669</b>	<b>-</b>	<b>-</b>	<b>6,285,443</b>
<b>Total</b>		<b>1,496,163</b>	<b>1,322,175</b>	<b>7,103,105</b>	<b>805,237</b>	<b>373,271</b>	<b>11,099,951</b>
<b>Financial liabilities</b>							
Non-interest bearing instruments <sup>(1)</sup>		<b>92,635</b>	<b>2,325,384</b>	<b>1,053,748</b>	<b>125,756</b>	<b>-</b>	<b>3,597,523</b>
Non-convertible bonds	<b>Note 16</b>	<b>-</b>	<b>-</b>	<b>9,983</b>	<b>2,755,125</b>	<b>-</b>	<b>2,765,108</b>
Variable interest rate instruments	<b>Note 17</b>	<b>4,238</b>	<b>3,102</b>	<b>394,005</b>	<b>2,855,407</b>	<b>-</b>	<b>3,256,752</b>
Derivative instruments		<b>-</b>	<b>-</b>	<b>-</b>	<b>20,424</b>	<b>-</b>	<b>20,424</b>
<b>Total</b>		<b>96,873</b>	<b>2,328,486</b>	<b>1,457,736</b>	<b>5,756,712</b>	<b>-</b>	<b>9,639,807</b>
<b>31 December 2014</b>							
<b>Financial assets</b>							
Non-interest bearing instruments		1,204,751	135,161	6,524,069	879,403	-	8,743,384
Receivables from project finance	8.06%	-	5,125	16,729	76,017	308,964	406,835
Variable interest rate instruments	Note 13	1,153,724	1,905,499	1,615,286	-	-	4,674,509
<b>Total</b>		<b>2,358,475</b>	<b>2,045,785</b>	<b>8,156,084</b>	<b>955,420</b>	<b>308,964</b>	<b>13,824,728</b>
<b>Financial liabilities</b>							
Non-interest bearing instruments <sup>(1)</sup>		112,375	2,791,525	1,919,241	16,490	-	4,839,631
Non-convertible bonds	Note 16	9,983	-	-	2,755,125	-	2,765,108
Variable interest rate instruments	Note 17	1,007,109	38,021	517,269	4,910,107	-	6,472,506
Derivative instruments		1,136	-	-	28,376	-	29,512
<b>Total</b>		<b>1,130,603</b>	<b>2,829,546</b>	<b>2,436,510</b>	<b>7,710,098</b>	<b>-</b>	<b>14,106,757</b>

(1) Including security deposits from customers.

### 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	As at 31 December 2015	
	Gross carrying amount AED'000	Fair value AED'000
<b>Financial liabilities at amortised cost</b>		
Sukuk-al-Ijarah (Note 16)	<b>2,755,388</b>	<b>2,841,223</b>
	As at 31 December 2014	
	Gross carrying amount AED'000	Fair value AED'000
<b>Financial liabilities at amortised cost</b>		
Sukuk-al-Ijarah (Note 16)	2,751,700	2,872,218

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2014 and 31 December 2015, the Group's financial assets that are stated at fair value are grouped as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2015</b>				
<b>Available-for-sale investments</b>				
Equities	30,600	92,373	-	122,973
31 December 2014				
<b>Available-for-sale investments</b>				
Equities	34,170	73,837	-	108,007

During 2014, one of the investments got listed and commenced trading on the secondary market for private companies of Abu Dhabi Securities Exchange (ADX). Accordingly, this investment has been transferred from Level 2 to Level 1 (Note 9).

The fair values of derivative instruments amounting to AED 20 million pertaining to interest rate swap are determined by independent valuers (see Note 33.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The derivative instruments are categorised as Level 2.

## Notes to the Consolidated Financial Statements

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### 35 SEGMENT INFORMATION

#### 35.1 BUSINESS SEGMENTS

Management has re-aligned its business segments based on the nature of business activities and revenue streams. The Management believes that this alignment better aligns the Group's stated results with the organisational structure.

Segment information about the Group's continuing operations for the year ended 31 December 2015 is presented below:

#### For the year ended 31 December 2015

	Property development and management		Asset management				Group AED'000
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Operative villages AED'000	Adjacencies AED'000	
Revenue excluding service charges	<b>1,014,896</b>	<b>255,094</b>	<b>1,483,903</b>	<b>635,128</b>	<b>128,086</b>	<b>931,491</b>	<b>4,448,598</b>
Revenue from service charges	-	-	<b>136,942</b>	-	-	-	<b>136,942</b>
Gross revenue	<b>1,014,896</b>	<b>255,094</b>	<b>1,620,845</b>	<b>635,128</b>	<b>128,086</b>	<b>931,491</b>	<b>4,585,540</b>
Cost of revenue excluding service charge	<b>(475,046)</b>	<b>(125,217)</b>	<b>(248,717)</b>	<b>(463,891)</b>	<b>(100,295)</b>	<b>(829,508)</b>	<b>(2,242,674)</b>
Service charge expenses	-	-	<b>(136,942)</b>	-	-	-	<b>(136,942)</b>
Gross profit	<b>539,850</b>	<b>129,877</b>	<b>1,235,186</b>	<b>171,237</b>	<b>27,791</b>	<b>101,983</b>	<b>2,205,924</b>
Depreciation and amortisation	-	-	<b>(7,905)</b>	<b>(119,599)</b>	<b>(25,205)</b>	<b>(36,410)</b>	<b>(189,119)</b>
(Provisions, impairments and write downs)/reversal - net	<b>(75,927)</b>	<b>(14,476)</b>	<b>(15,085)</b>	<b>(139,555)</b>	-	<b>(616)</b>	<b>(245,659)</b>
Fair value gain on investment properties	-	-	<b>487,011</b>	-	-	-	<b>487,011</b>
Share of profit from associates and joint ventures	<b>61,945</b>	-	<b>96,330</b>	-	-	-	<b>158,275</b>
Gain on disposal of investment properties	-	-	<b>32,376</b>	-	-	-	<b>32,376</b>
Other income	<b>635,849</b>	<b>31,248</b>	<b>7,119</b>	-	<b>11,020</b>	<b>1,080</b>	<b>686,316</b>
Segment profit	<b>1,161,717</b>	<b>146,649</b>	<b>1,835,032</b>	<b>(87,917)</b>	<b>13,606</b>	<b>66,037</b>	<b>3,135,124</b>
Share of profit from associates and joint ventures							<b>3,048</b>
Selling and marketing expenses							<b>(61,266)</b>
(Provisions, impairments and write downs)/reversal - net							<b>(43,475)</b>
General and administrative expenses							<b>(319,397)</b>
Depreciation and amortisation							<b>(20,831)</b>
Finance income							<b>98,474</b>
Finance costs							<b>(239,661)</b>
Other income							<b>7,851</b>
Profit for the year							<b>2,559,867</b>

Segment information about the Group's continuing operations for the year ended 31 December 2014 is presented below:

**For the year ended 31 December 2014**

	Property development and management		Asset management				Group AED'000
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Operative villages AED'000	Adjacencies AED'000	
Revenue excluding service charges	3,732,926	398,795	992,500	622,743	119,288	589,351	6,455,603
Revenue from service charges	-	-	95,475	-	-	-	95,475
Gross revenue	3,732,926	398,795	1,087,975	622,743	119,288	589,351	6,551,078
Cost of revenue excluding service charge	(3,314,869)	(313,803)	(255,311)	(458,840)	(88,112)	(506,262)	(4,937,197)
Service charge expenses	-	-	(95,475)	-	-	-	(95,475)
Gross profit	418,057	84,992	737,189	163,903	31,176	83,089	1,518,406
Depreciation and amortisation	-	-	(9,438)	(136,369)	(23,620)	(34,737)	(204,164)
(Provisions, impairments and write downs)/reversal - net	93,055	-	(41,259)	150,601	-	(2,052)	200,345
Fair value loss on investment properties	-	-	474,157	-	-	-	474,157
Share of profit from associates and joint ventures	5,175	-	103,249	-	-	-	108,424
Gain on discontinued operation	9,720	-	-	-	-	-	9,720
Gain on disposal of investment properties	-	-	28,437	-	-	-	28,437
Other income	736,663	-	24,566	-	-	73	761,302
Segment profit	1,262,670	84,992	1,316,901	178,135	7,556	46,373	2,896,627
Share of loss from associates and joint ventures							(12,418)
Gain on disposal of investment in associates							42,039
(Provisions, impairments and write downs)/reversal - net							(3,862)
Selling and marketing expenses							(35,540)
General and administrative expenses							(418,057)
Depreciation and amortisation							(23,506)
Finance income							110,587
Finance costs							(381,795)
Other income							92,278
Profit for the year							2,266,353

The numbers for the comparative period have been amended in line with the change in business segment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 35 SEGMENT INFORMATION CONTINUED

#### 35.1 BUSINESS SEGMENTS CONTINUED

The segment assets and liabilities and capital and project expenditure at 31 December 2015 and 31 December 2014 are as follows:

	Property development and management		Asset management					Group AED'000
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Operative villages AED'000	Adjacencies AED'000	Unallocated AED'000	
<b>As at 31 December 2015</b>								
Assets	<b>7,792,982</b>	<b>3,261,439</b>	<b>16,689,059</b>	<b>2,548,088</b>	<b>196,279</b>	<b>1,188,720</b>	<b>4,464,109</b>	<b>36,140,676</b>
Liabilities	<b>(3,979,820)</b>	<b>(3,557,377)</b>	<b>(1,249,023)</b>	<b>(174,770)</b>	<b>(152,890)</b>	<b>(325,276)</b>	<b>(6,413,792)</b>	<b>(15,852,948)</b>
Capital expenditures	-	-	<b>17,540</b>	<b>35,276</b>	<b>927</b>	<b>38,530</b>	<b>2,147</b>	<b>94,420</b>
Project expenditures	<b>221,205</b>	<b>83,142</b>	<b>373,671</b>	-	-	<b>6,674</b>	-	<b>684,692</b>
<b>As at 31 December 2014</b>								
Assets	8,859,479	5,783,263	15,721,669	2,924,410	116,268	1,153,041	3,991,000	38,549,130
Liabilities	(6,791,062)	(2,553,313)	(1,540,952)	(182,498)	(135,404)	(410,377)	(8,562,142)	(20,175,748)
Capital expenditures	-	-	1,266	23,710	94	23,135	1,915	50,120
Project expenditures	292,587	-	953,553	-	-	8,334	-	1,254,474

The numbers for the comparative period have been amended in line with the change in business segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing costs and Directors' salaries, share of profits of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

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

#### 35.2 GEOGRAPHICAL SEGMENTS

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

### 36 DISPOSAL OF A SUBSIDIARY

On 3 November 2014, the Group disposed its subsidiary Sorouh International Development Limited which in turn owned 80% of Sorouh Egypt for Investment and Tourism Development SAE.

#### 36.1 ANALYSIS OF ASSETS AND LIABILITIES

	<b>AED'000</b>
<b>ASSETS</b>	
Trade and other receivables	9,350
Development work in progress	44,333
Property, plant and equipment	152
<b>Total assets</b>	<b>53,835</b>
<b>LIABILITIES</b>	
Trade and other liabilities	(56,512)
<b>Net liabilities disposed of</b>	<b>(2,677)</b>

#### 36.2 GAIN ON DISPOSAL OF A SUBSIDIARY

Consideration received	-
Net liabilities disposed of	2,677
Non-controlling interests	7,043
<b>Gain on disposal</b>	<b>9,720</b>

The gain on disposal is included in the gain from discontinued operations in the consolidated income statement.

### 37 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 5 million (2014: AED Nil).

### 38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2016.