ALDAR

ANNUAL REPORT 2016

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STRATEGIC REPORT

FINANCIAL STATEMENTS

Aldar Properties PJSC is the leading real estate developer in Abu Dhabi and through its iconic developments, it is one of the most well known in the United Arab Emirates, and wider Middle East region.

A strong year with solid performance

Aldar is the largest listed real estate group in Abu Dhabi by market capitalisation, and one of the region's most recognised master developers.

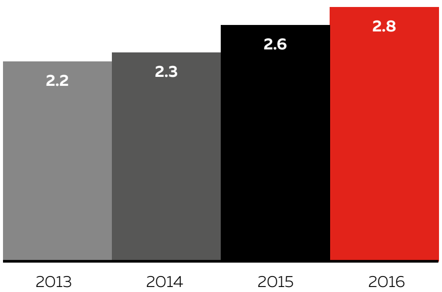
Our principal activities sit within real estate development and asset management.

Our vision is to be the preferred real estate developer in the market, ensuring that we meet all the requirements of our stakeholders.

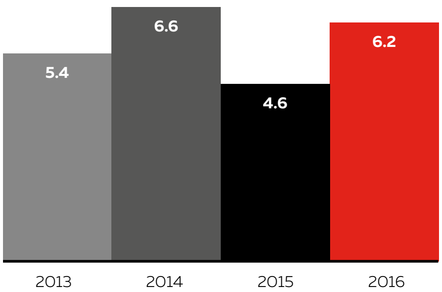
The 2016 Annual Report includes a review of the last 12 months and beyond.

KPIs

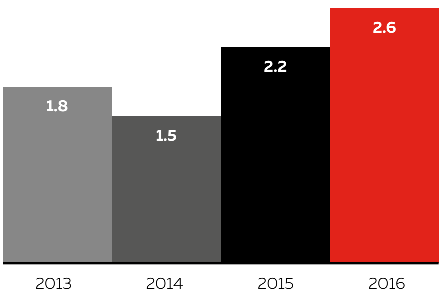
Net profit
(AED BN)



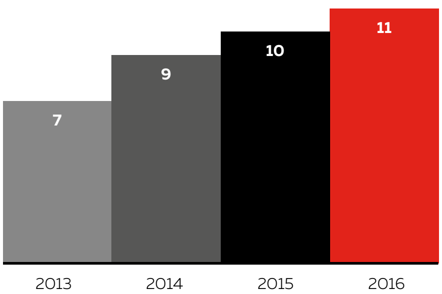
Revenue
(AED BN)



Gross profit
(AED BN)



Dividend per share
(FILS/SHARE)



Net profit
AED 2.8bn
(2015: AED 2.6 BILLION)

Gross profit
AED 2.6bn
(2015: AED 2.2 BILLION)

Off-plan development sales
AED 3.5bn
(2015: AED 3.0 BILLION)

Recurring revenue net operating income
AED 1.6bn
(2015: AED 1.5 BILLION)

Earnings per share
35 fils
(2015: 32 FILS)

Dividend per share
11 fils
(2015: 10 FILS)

Total assets
AED 36bn
(2015: AED 36 BILLION)

Building a better future

Abu Dhabi is the capital of the United Arab Emirates (UAE) and the country's second most populous city, with close to three million inhabitants. The emirate sits on 80% of the combined territory of the UAE and is comprised of 200 islands with 700 kilometres of Arabian Gulf coastline.

The emirate holds 6% of the world's proven oil reserves and 3% of the world's gas reserves but has embarked on major reforms to diversify the economy away from a dependence on oil and gas, which currently constitute about half of Abu Dhabi's GDP. The emirate is investing heavily in innovation and development to create a knowledge-driven economy to support the Abu Dhabi Economic Vision 2030. Manufacturing, banking and finance, aviation, tourism and real estate are integral elements of Abu Dhabi's economy today.

Abu Dhabi has one of the highest GDP per capita levels in the world, estimated by S&P Global Ratings at about US$75,000 per capita in 2017. S&P estimates the population increased by 70% between 2008 and 2015 to 2.8 million people and is expected to reach 3.5 million by 2020.

S&P Global Ratings recently affirmed Abu Dhabi's "AA/A-1+" sovereign credit rating on the expectation that the emirate's economy will remain resilient and its fiscal reserves are well above 100% of GDP.

Rapid development and urbanisation, coupled with population growth and a relatively high average income, has transformed Abu Dhabi in to a large and thriving city.

Leading this transformation is the Abu Dhabi Plan, a blueprint to guide the emirate's growth to achieve its vision. With 25 goals across five strategically important sectors, the blueprint sets out 83 programmes, which will be continuously monitored to deliver the overall plan and ensure the emirate's sustainable development.

Many of the initiatives which support the Abu Dhabi Plan feed positively in to the real estate market. For example, a number of attractions are currently under way on Yas and Saadiyat Islands to drive tourism in the emirate to create more diverse revenue streams. This includes the Jean-Nouvel designed Louvre Abu Dhabi, which is scheduled to open on Saadiyat Island in 2017 and SeaWorld, earmarked to open on Yas Island by 2022. The new Midfield Terminal will serve the rising numbers of passengers flying through Abu Dhabi International Airport and provide lifts to the transport, aviation and retail sectors in addition to stimulate tourism. Education is another developing sector given the government's commitment to improve education standards for the emirate's growing population.

Through the construction and management of properties and schools, as well as through its employment of UAE Nationals, Aldar's operations directly support the Abu Dhabi Plan to: create integrated urban areas; position Abu Dhabi as an original and attractive tourism destination; and provide a platform for effective participation of UAE Nationals in the labour market.

Abu Dhabi's property market has matured over the last decade, supported by the introduction of regulations aimed at protecting both developers and tenants. Key to this maturation is the Abu Dhabi Real Estate Law, introduced in 2016, which aims to create a more transparent and professional property market by enhancing industry standards. The new law is a positive step towards attracting more investment into the emirate and deals with many of the concerns raised by both investors and developers over the last 10 years.

Abu Dhabi is renowned for the depth of its hydrocarbon industry, however, the emirate's ability to successfully utilise its reserves has provided a solid base from which to diversify its economy. While growth is expected to moderate, given the current price of oil and a more prudent approach to investment, Abu Dhabi remains an attractive destination to live, work and invest, given the emirate's comparatively transparent operating environment and its reputation as the capital of one of the most liberal countries in the Middle East.

Real GDP growth in 2015 was

6.3%

(S&P GLOBAL RATINGS)

Population growth between 2008 and 2015 was

70%

(S&P GLOBAL RATINGS)

Real estate activities experienced compound annual growth rate between 2011 and 2015 of

10.8%

(EMIRATE OF ABU DHABI)

Non-hydrocarbon real GDP growth in 2015 was

8.4%

(EMIRATE OF ABU DHABI)

Nominal GDP in 2016 was

AED 769bn

(S&P GLOBAL RATINGS)

Real estate activities made up

7.1%

OF NOMINAL GDP IN 2015 (EMIRATE OF ABU DHABI)

Delivering shareholder value

Dear Shareholders,

On behalf of the Board and management, we would like to thank you for your continued support of Aldar Properties in 2016.

Aldar delivered a strong performance in 2016, as our portfolio of high-quality real estate assets helped offset the impact of a slowing global economy and ongoing commodity price weakness. Aldar's strength lies in its ability to adapt to all market conditions, so we were prepared for this.

2016 HIGHLIGHTS

During the year, we stimulated demand for our developments by widening the range of real estate products we offer and responding swiftly to the changing needs of buyers in a fast-maturing market. This is a major factor behind the Company's strength: the ability to adapt to change and to provide the market with what it needs when it needs it, the hallmark of a stable, mature and resilient real estate business.

Our destination strategy is also fundamental to our success, as we continue to grow our recurring revenue streams from our assets and monetise our sizable land bank. In line with Abu Dhabi's own diversification objectives, we are transforming our Company into a sustainable and more efficient business, reflecting not just our own ambitions, but Abu Dhabi's vision as well.

2016: STRONGEST YEAR ON RECORD

Aldar's performance over the last three years has laid the foundations for our own long-term growth, and 2016 was our strongest year on record: debt has reduced significantly to AED 5.6 billion at the end of 2016, resulting in a more solid balance sheet that continues to strengthen, with corresponding upgrades of our debt rating by the world's leading credit agencies, most recently from Moody's, who in February 2017 moved Aldar up to a Baa2 rating with a stable outlook. Sales from developments in 2016 rose to AED 3.5 billion, net operating income increased to AED 1.6 billion and net profit was AED 2.8 billion. As a result of this impressive growth, our Company is today

Aldar's strength lies in its ability to adapt to all market conditions.

in excellent health and our fundamentals remain strong. This gives me great confidence in the year ahead.

ABU DHABI ECONOMY

The sharp decline seen in oil prices last year – Brent crude futures reached a low of US$27 per barrel – had an inevitable knock on effect on Abu Dhabi's economy, and the government took decisive action to address the impact through a series of restructuring initiatives. Despite such challenges, though, government spending on high-profile projects such as the Midfield Terminal and Louvre Abu Dhabi has continued and these, together with further infrastructure investment planned in the future, are indicative of its commitment to long-term growth. In the more immediate term, continued compliance by OPEC with the production cuts announced in November point to a more balanced oil market in the months ahead, with oil appearing to have established a floor of more than US$50 per barrel – another positive signal for local and regional economies, and any increase beyond that level will be even more beneficial.

With one of the highest GDP per capita levels in the world estimated at US$75,000 per person, a growing population that has increased by 70% between 2008 and 2015 and rapid urbanisation, Abu Dhabi looks set to continue its transformation as an international, thriving capital city. This will be underpinned by the Abu Dhabi 2030 Plan, which sets out 25 goals across five strategically important sectors, creating a blueprint for how the emirate will achieve its vision. Aldar is pleased to play an integral role in shaping Abu Dhabi's real estate industry and supporting Abu Dhabi to achieve its vision.

ABU DHABI'S LEADING DEVELOPER

As the leading developer in Abu Dhabi, we are proud of the role we play in improving the quality of life for our customers. Abu Dhabi's real estate market continues to mature, underpinned by new regulations aimed at raising standards, and our early adoption of these regulations – we were the first developer to be registered and the first to launch escrow accounts that the regulations brought in – is evidence of our pioneering approach. We believe the success we have enjoyed in the last three years is sustainable and in 2017 we will continue to bring fresh, new and innovative products to market, especially in those segments where we see the most opportunity, and where we expect to see the most demand. We will also be handing over a number of our development projects, reinforcing our reputation for delivery.

GROWING OUR RECURRING REVENUE BUSINESS

We continue to implement a sensible investment strategy, backed by prudent financial management and increased operational efficiency. We remain dedicated to increasing recurring revenue streams and leveraging our land bank in order to drive earnings. As a result, our balance sheet is strong and liquidity levels are healthy. We are putting that strength to good use, investing further in assets and development projects. Some have already been announced and opportunities exist for further expansion.

DISTRIBUTION

We are also deeply committed to delivering shareholder value for our increasingly diversified investor base. Our dividend policy, based on the underlying cashflow of Aldar's business, ensures that dividends grow as the Company grows. We are pleased to be able to reward our shareholders for their loyalty given our strong results in 2016.

COMMUNITY ENGAGEMENT

I am delighted Aldar not only plays a key role in the development of our emirate through real estate, but ingrains itself in the communities in which we operate. In 2016, we commissioned a poem by Emirati Hassan Obaidly, entitled "الدار عامرة بأهلها" (meaning the beauty of our home comes from its people), to mark the UAE's 45th National Day. Our nation-wide calligraphy competition brought those words to life and the hundreds of applications we received show the community's engagement in the initiative. We also unveiled the city's largest mural during the year, showcasing Emirati traditions and culture in a 600-metre-long work of art on Al Raha Beach, recognising the importance of art in our culture and our efforts to bring art to the emirates.

We believe the success we have enjoyed in the last three years is sustainable and in 2017 we will continue to bring fresh, new and innovative products to market.

OUTLOOK

Increasing demand for our products and services is the result of our relentless focus on delivering to the highest of standards. I am confident that the strategy we have adopted positions us well for continued success. Much of this success is due to the strength and efforts of all of our employees. Their knowledge, experience, hard work and commitment underpins our business. In this regard, I would particularly like to thank Aldar's Board of Directors for their continued guidance and direction. Under their stewardship, I am confident that Aldar will deliver another successful year and play a leading role in the long-term growth of Abu Dhabi.

Abubaker Seddiq Al Khoori
Chairman

Solid growth and performance

We have enjoyed another solid year both in terms of our underlying financial performance and our delivery against our strategic goals.

Our focus on building and managing world class real estate assets, in sometimes challenging conditions, means we enter 2017 in a strong position.

Our performance in 2016 was underpinned by the continuing success of our destination development strategy. Building high-quality and well situated residences is part of our commitment to creating a vibrant mix of communities in locations that have a positive impact on people's everyday lives.

As our business continues to mature, so do our revenue streams. We have become a far more sustainable firm, delivering consistent returns through natural market cycles.

The results speak for themselves. The value of development sales amounted to AED 3.5 billion in 2016, supported by the launch of Yas Acres, our flagship golf and waterfront development on Yas Island. Recurring revenue net operating income reached AED 1.6 billion in 2016, and our full year net profit rose 8% from 2015 to AED 2.8 billion in 2016.

We have made significant progress over the past few years in putting the fundamentals in place to propel our company forward.

We have continued to de-risk our business, while keeping a tight control of costs. As a result, our balance sheet is in good shape with low gearing and ample financial capacity. This gives us a far greater degree of freedom and visibility in making long-term investment decisions.

Central to our success story is growth. We have made significant progress over the past few years in putting the fundamentals in place to propel our Company forward. We continue to look for opportunities to expand our business, while remaining nimble enough to tailor our real estate offering to the changing needs of the market and investors. Our goal of generating AED 2.2 billion in recurring revenue by 2020 means we remain deeply committed to creating value in everything we do.

The development side of our business performed strongly in 2016. During the year we launched Yas Acres, and the response from investors has been encouraging. We believe untapped development opportunities in Abu Dhabi still exist and our destination strategy, focusing on prime locations such as Yas Island, Al Raha Beach and Reem Island, is testament to this.

In terms of our Asset Management business, the performance of Yas Mall last year matched our own high expectations, delivering an unparalleled shopping experience. We have responded to the growing demand for "retail experiences" by providing a range of well-known household and luxury brands that make Yas Mall a truly international retail destination. Today, our residential portfolio is almost fully leased, and we expect steady levels of demand to continue in the coming year. In 2016, the Company's hotel assets delivered a good performance, amid sometimes challenging conditions, and continued to outperform the wider Abu Dhabi market in terms of occupancy levels.

Our Adjacent Businesses, which include Aldar Academies and Khidmah, continue to mature. Aldar Academies now encompasses over 6,000 pupils across seven schools, compared to just one school and 250 students in 2007. During the year, we opened two new schools, Al Mamoura and West Yas, adding further capacity to our education portfolio.

Given the success of our development and asset management business in 2016, we have recommended a dividend of 11 fils per share, up from 10 fils per share in 2015. We remain firmly committed to returning cash to shareholders, in the form of dividends, based on the underlying cash-flow of our business.

None of the success we enjoyed in 2016 would have been possible if not for the many teams of hard-working people at Aldar who share a common set of values and a clear sense of purpose. I would like to personally thank my colleagues for their significant contribution throughout the year. To be the best property company in Abu Dhabi, we need to attract and develop exceptional people, and our increasingly diverse workforce is clear evidence that we are doing just that.

We head into the new financial year with our business in excellent shape and a strong portfolio of property assets. Our strength remains our people and we have a great team in place who are creative and devoted to the Aldar way of developing and managing real estate projects. Our investment strategy is clearly working, the evidence of which is seen not only in our financial results, but also in the communities we are building across Abu Dhabi.

As we look ahead, there are many reasons to be optimistic. A more transparent real estate law, a steady flow of new companies moving to Abu Dhabi, as well as increased levels of foreign direct investment (FDI) from countries including China, India and Saudi Arabia, makes 2017 an exciting prospect for not only Aldar, but also our customers, our residents, and our investors.

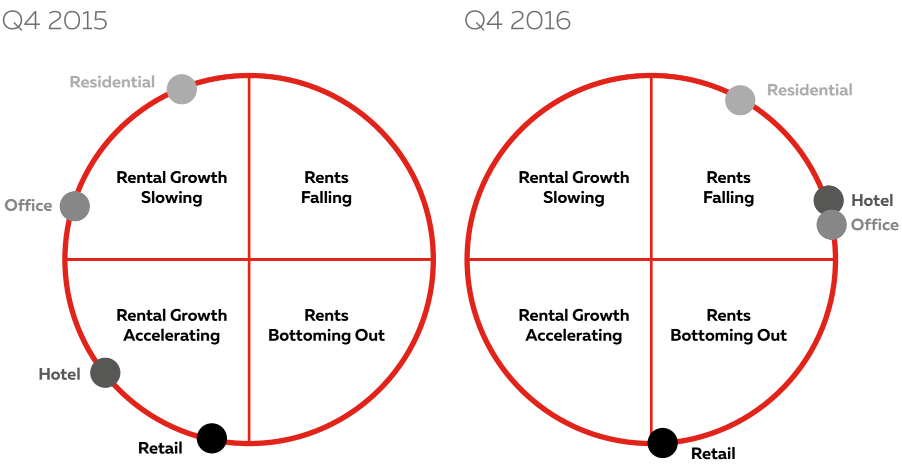
Mohamed Khalifa Al Mubarak
Chief Executive Officer

Real estate market overview

Aldar operates within Abu Dhabi's four main real estate sectors: residential, retail, office and hospitality. 2016 has been a challenging year for Abu Dhabi with oil prices remaining muted. This has resulted in more prominent government spending reductions, which has, consequentially, had an impact on the real estate market.

This section provides an overview of the performance of Abu Dhabi's residential, retail, office and hospitality real estate markets in 2016 and provides an outlook for the coming years.

Abu Dhabi Prime Rental Clock



Source: JLL

RESIDENTIAL

During 2016, Abu Dhabi's residential market saw the delivery of 3,000 units, versus an initial forecast of 10,000 units. This takes total residential stock as at 31 December 2016 to 248,000 units.

Sale prices for apartments and villas saw declines of 11% whereas rentals fell 7% and 4%, respectively. Despite this, certain developments continued to witness strong demand and occupancy performance over the year, supported by a continued flight-to-quality into preferred communities and developments.

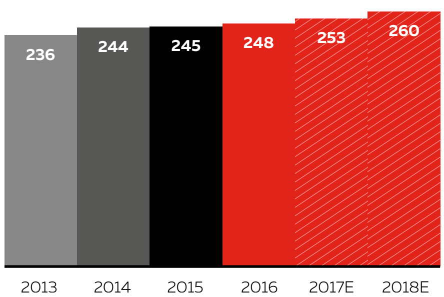
Off-plan development sales were driven by the launch of new products, specifically the investment zone villa product, serving a previously untapped market in Abu Dhabi. The introduction of the new real estate law, which came into effect on 1 January 2016, brought further confidence to the market with the introduction of escrow accounts, title deeds, strata law and owners associations, providing more comfort for developers and customers alike.

OUTLOOK

With the delay in anticipated 2016 deliveries, there remains approximately 12,000 units scheduled for delivery over the course of 2017 and 2018.

Rents and sales prices are likely to remain under pressure within the current economic environment; however, new off-plan sales could be spurred by targeted product into undersupplied segments of the market.

Abu Dhabi residential supply
(000'S UNITS)



Source: JLL

OFFICE

2016 saw the completion of over 200,000 sqm GLA of new office space within Abu Dhabi taking the total stock to 3.5 million sqm GLA as at 31 December 2016. A majority of the new supply delivered during the year was purpose-built headquarters for some of Abu Dhabi's largest corporations.

Pricing for prime Grade A office space was impacted by the general softening of the market due to a reduction in government spending and decline in the oil sector, leading to less demand for new office space. Despite this softer backdrop, vacancies for Grade A space remain low across Abu Dhabi, with a vacancy rate of below 10% registered as at 31 December 2016.

Grade B space has underperformed Grade A space and continues to face challenges reflected in higher vacancy rates and flat pricing versus 2015.

OUTLOOK

A further 350,000-sqm GLA is under development and expected to be delivered by the end of 2018.

RETAIL

During the year, no major retail completions were handed over. Total retail space within Abu Dhabi as at the end of 2016 stood at 2.6 million sqm GLA. The last major retail delivery was Aldar's 225,000-sqm GLA Yas Mall on Yas Island that entered the market in Q4 2014.

Some retailers reporting lower sales have been impacted by generally lower consumer sentiment resulting from lower oil prices and the spillover effect onto the economy. This has, consequently, put downward pressure on rents within primary retail malls over the course of 2016.

OUTLOOK

There is currently 400,000 sqm GLA of new retail space under development, a majority of which will come from new super-regional malls that are scheduled to enter the market from 2018.

With no major deliveries expected in 2017, retail performance is unlikely to change significantly.

HOSPITALITY

Approximately 1,000 hotel keys were introduced into Abu Dhabi during 2016, taking total supply within the emirate to 21,600 keys. A majority of these keys were within the 5-star category, which continues to underperform regional rivals in terms of occupancy and average daily rates (ADRs).

Occupancy across the Abu Dhabi market during 2016 was 73%, versus 75% in 2015.

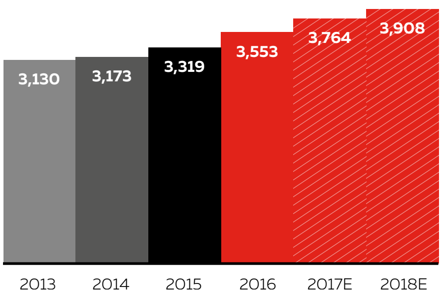
This weaker performance was, in part, due to the continued reliance on corporate demand that underwent a significant rebasing during 2016, impacted by reduced government spending in an effort to lower operating costs. This decline was partly offset by increased leisure demand driven by government-sponsored initiatives to boost the leisure and tourism sector.

OUTLOOK

Between 2017 and 2018, a further 3,100 keys are expected to enter the market, representing almost 15% of the current supply. A majority of this new supply will be catered towards the higher-end hospitality offering, with significant focus on 5-star properties.

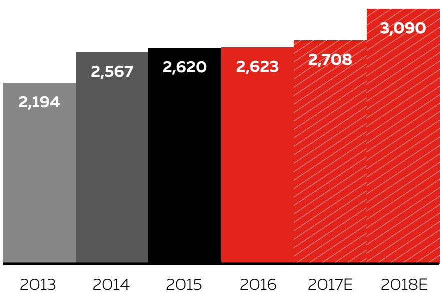
Leisure demand is expected to be supported by a number of key tourism offerings set for completion over the next few years, including Louvre Abu Dhabi (2017), Warner Bros Abu Dhabi (2018) and Abu Dhabi Airport's new Midfield Terminal (2019).

Abu Dhabi office supply
(000'S SQM GLA)



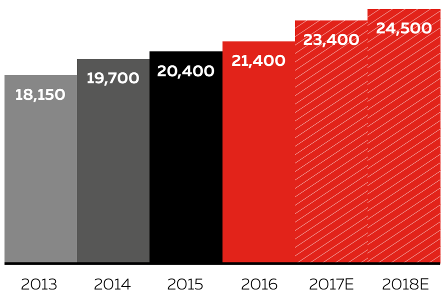
Source: JLL

Abu Dhabi retail supply
(000'S SQM GLA)



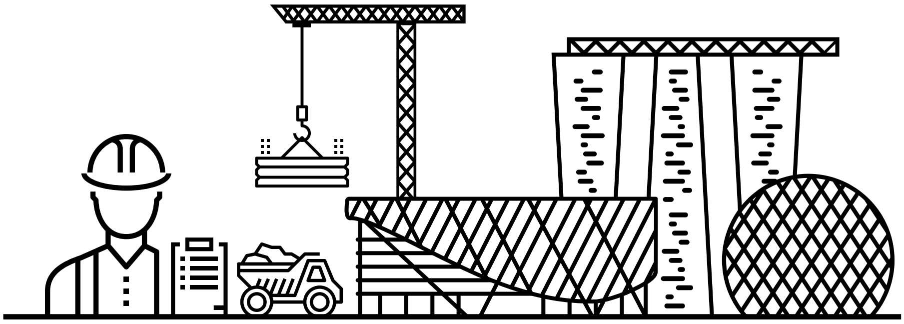
Source: JLL

Abu Dhabi hotel supply
(KEYS)



Source: JLL

Aldar the...



...Developer

Strategy	• Activate and monetise our land bank • Destination development – Yas Island, Reem Island and Al Raha Beach • Launching the right product, at the right price, in the right place
Characteristics	• 75 million sqm land bank • Eight projects under development • 1,500 unit annual launch guidance across the cycle • 6.1 million sqm approved GFA across our three destinations
Policies	• Discretionary dividend distribution on completion of projects • Currently unlevered debt policy

Development

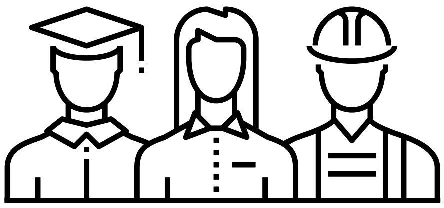
...Landlord

- Manage a diverse and growing recurring revenue asset base to sustain ongoing growth
- Reduce volatility throughout the cycle by providing balance to the portfolio

- AED 18 billion of assets
- Diverse asset base across retail, residential, office and hotels
- AED 1.6 billion annual net operating income (NOI)
- AED 3 billion investment plan in place to grow NOI

- Dividend based on 65-80% of the distributable free cash flow of the 100% owned recurring revenue assets
- Debt policy to maintain gross debt of 35-40% loan-to-value against assets

Asset Management



...Teacher

- Provide high quality education
- Be recognised as a leader in education within Abu Dhabi
- Offer a diverse and broad curricula catered to Abu Dhabi market

...Property manager

- Provide quality property and facilities management services
- Work closely with Aldar the Landlord to support management of their properties
- Expand business through growing partnerships and operations overseas

...Contractor

- Be recognised as one of the top contractors in the region
- Work on a diverse portfolio of projects

Adjacent Businesses

Our strategy

OUR MISSION
To maximise our stakeholder value by passionately creating and managing quality living places

OUR VISION
To be the most trusted and recognised real estate lifestyle developer in Abu Dhabi and beyond

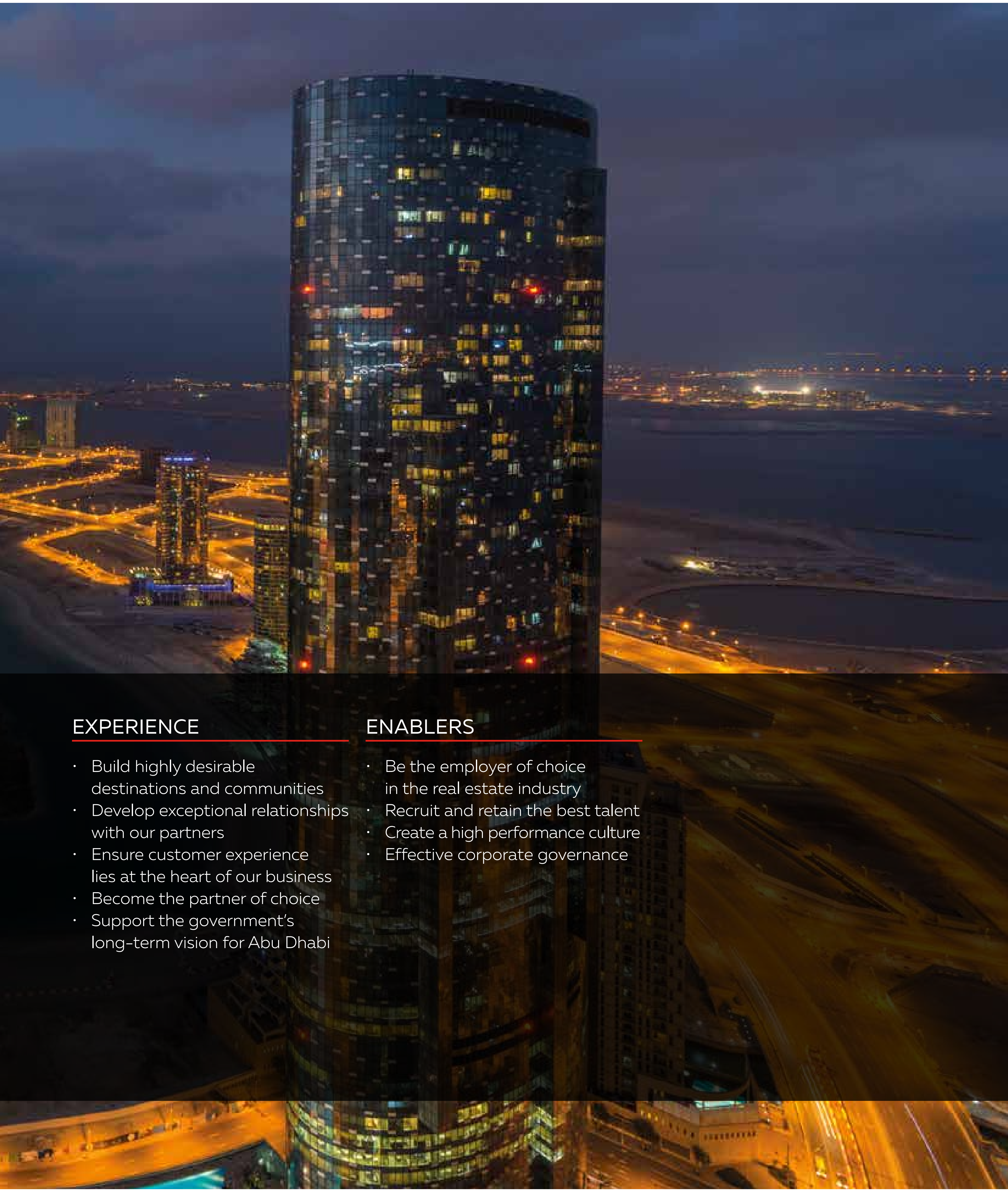
OUR STRATEGIC GOALS

EXPANSION

- Focus on the core businesses (Asset Management, Development, and Adjacent Businesses)
- Develop a diverse, stable and growing recurring income business
- Develop Yas Island, Reem Island and Al Raha Beach as destinations

EXCELLENCE

- Deliver an optimal capital structure through clear debt policy
- A dividend policy that provides transparent shareholder returns
- Optimise cost structure through rigid internal processes in order to maintain healthy profit margins
- Build desirability within our communities so that we are the landlord of choice
- Focus on untapped segments of the market



EXPERIENCE

- Build highly desirable destinations and communities
- Develop exceptional relationships with our partners
- Ensure customer experience lies at the heart of our business
- Become the partner of choice
- Support the government's long-term vision for Abu Dhabi

ENABLERS

- Be the employer of choice in the real estate industry
- Recruit and retain the best talent
- Create a high performance culture
- Effective corporate governance

Our strategic priorities

Strategic priority #1

Monetising our land bank

by launching new developments and enhancing our three existing key destinations: Yas Island, Reem Island and Al Raha Beach.

Actions in 2016

- AED 3.5 billion in sales value across Aldar developments
- Announced Yas Acres, an investment-zone villa development on Yas Island
- Significant land sales at Reem Island and Al Raha Beach
- Progress made across all developments launched

Strategic priority #2

Maximising the value of our recurring revenue assets

by driving value-accretive growth and enabling optimisation of the asset management portfolio.

Actions in 2016

- AED 1.6 billion annual NOI guidance achieved
- AED 800 million committed to our AED 3 billion investment plan to target 40% growth in NOI by 2020

Strategic priority #3

Optimising our capital structure

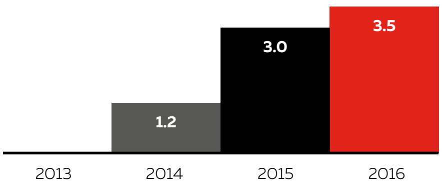
through a clear and robust financial policy.

Actions in 2016

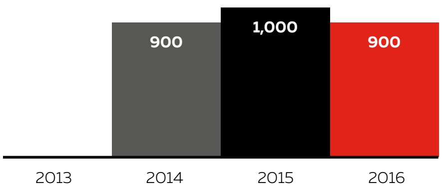
- Maintained gross debt in line with debt policy
- Refinanced AED 1.8 billion with long-term bullet loans
- Formalised dividend policy to provide greater transparency on shareholder returns

KPIs

Off-plan development sales
(AED BN)

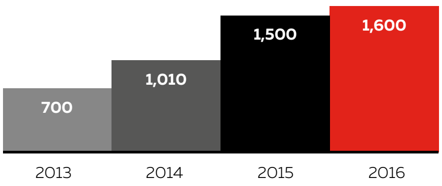


Off-plan units launched
(NO. OF UNITS)

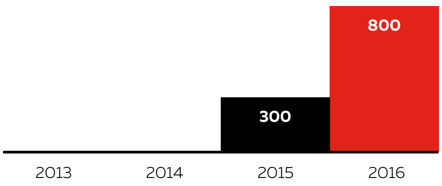


KPIs

NOI growth
(AED MN)

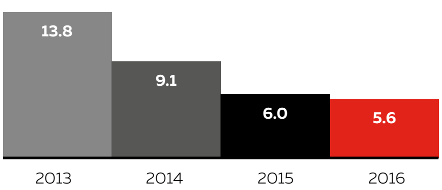


Investment plan committed
(AED MN)

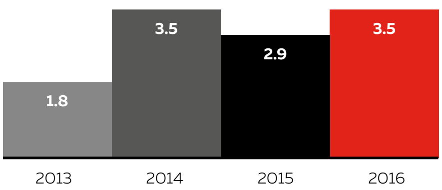


KPIs

Gross debt
(AED BN)



Average debt maturity at period end
(YRS)



Overview of our business

All of Aldar's activities are based within the Emirate of Abu Dhabi, where it fully owns a significant land bank and real estate property portfolio.

The activities of the Group are split into three main activities: Development Management, Asset Management and Adjacent Businesses.

Aldar

- **Development Management**
- **Asset Management**
- **Adjacent Businesses**

DEVELOPMENT MANAGEMENT

The development business is split into two divisions:

- Property development includes residential off-plan development sales and land sales
- Development management including third party fee-based work.

STRATEGY

Our development strategy is centred on creating preferred residential developments anchored around our three key destinations: Yas Island, Reem Island and Al Raha Beach.

Our product positioning is extensively reviewed and iterated in order to deliver the right product, at the right price, in the right location. We also look to serve untapped and underserved segments of the market by offering a diverse range of products to avoid any product concentration risk.

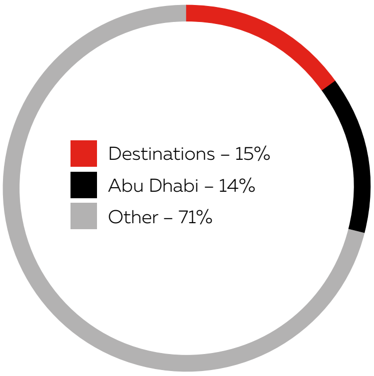
LAND BANK

Aldar's land bank includes 75 million sqm of land across the Emirate of Abu Dhabi.

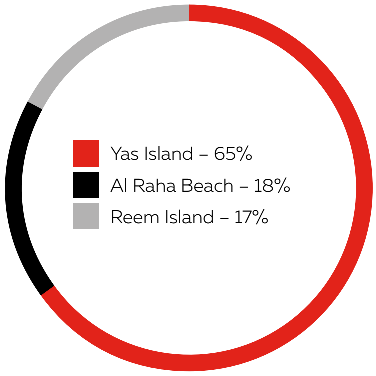
This map highlights Aldar's key land bank and projects across Abu Dhabi.

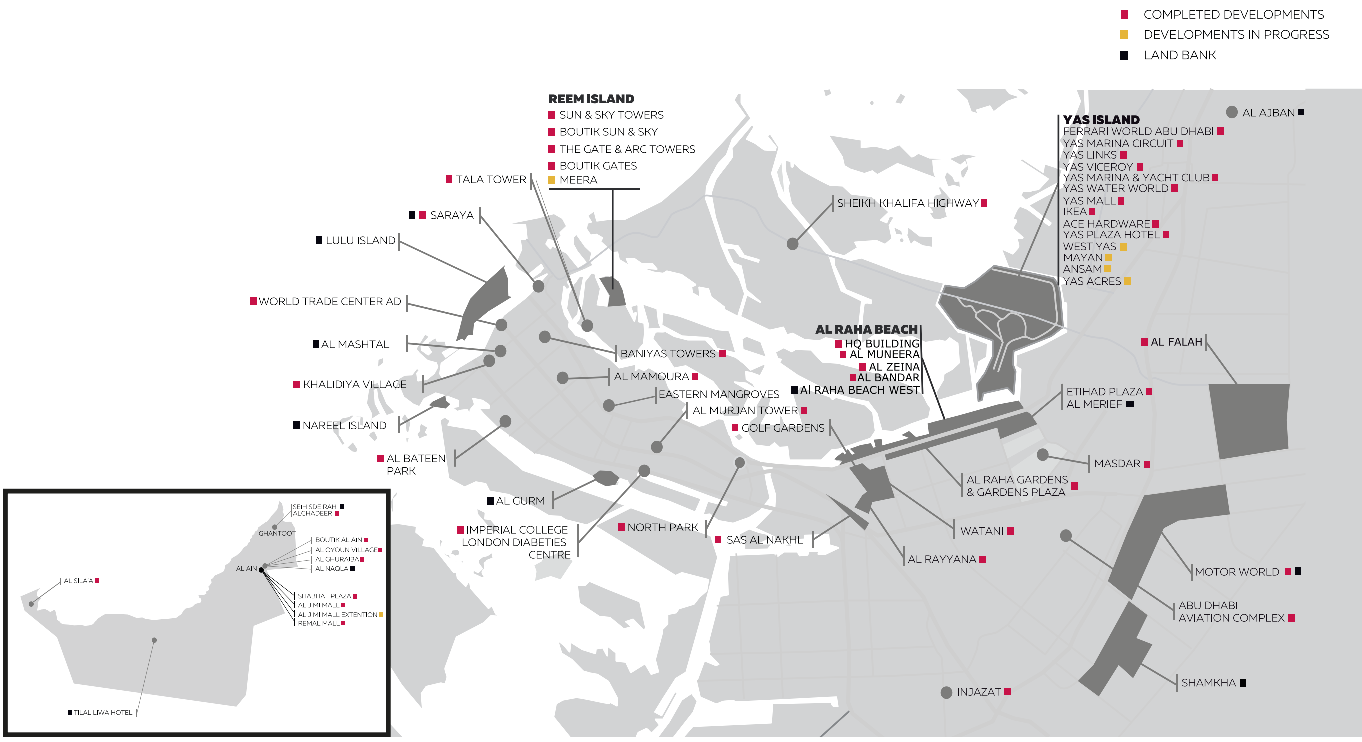
Aldar's land bank provides many advantages from a development perspective and creates optionality as to how and when land is developed. It also ensures a secular development pipeline that can mitigate the different phases of Abu Dhabi's perpetual real estate cycle meaning that we expect development opportunities throughout the cycle.

75 million sqm land bank (split by location)



6 million sqm destination GFA (split by destination)

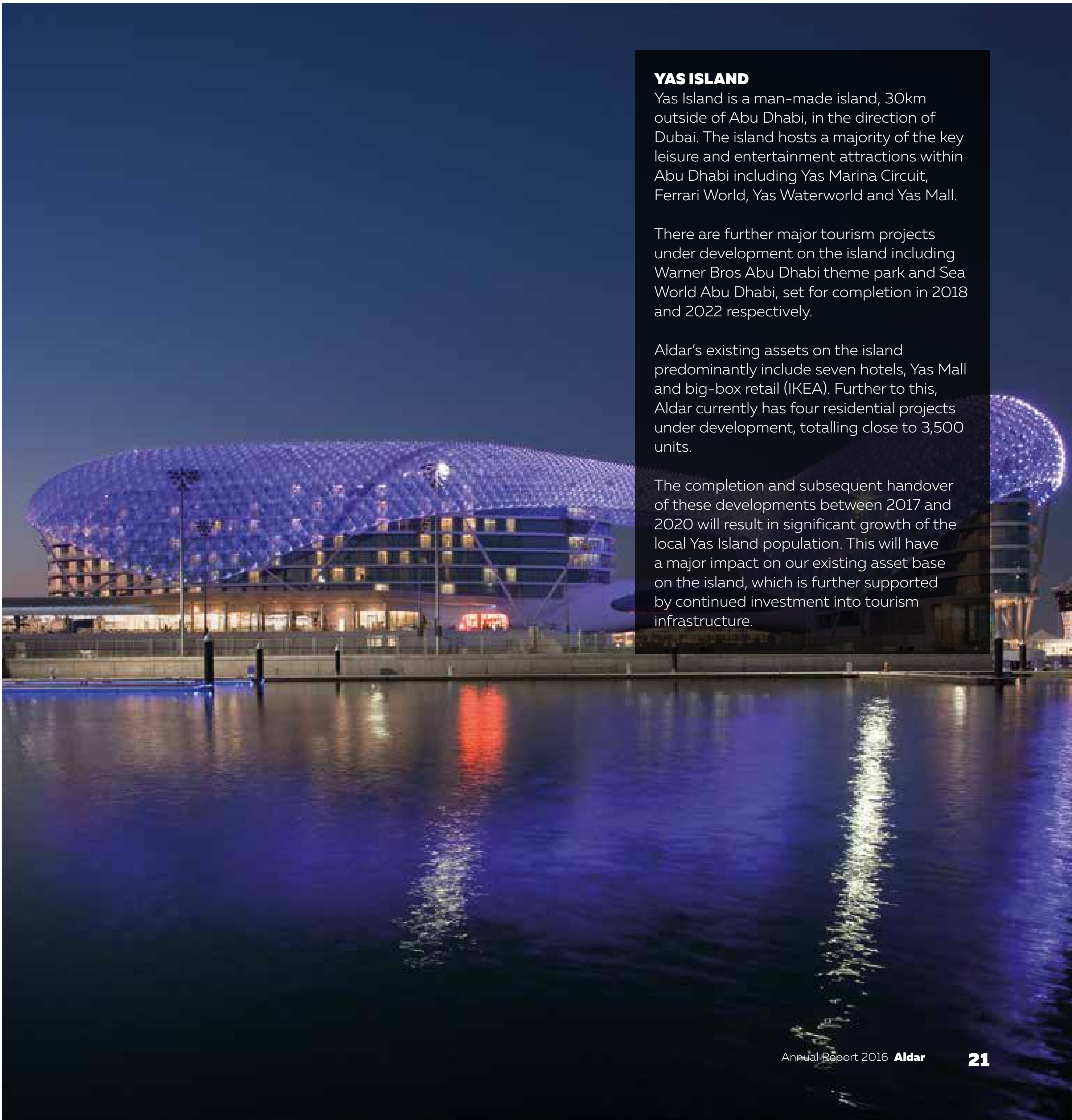




DESTINATION DEVELOPMENT

The development strategy is anchored around our three key destinations: Yas Island, Reem Island and Al Raha Beach.

Aldar, as master developer of each of these destinations, is responsible for the long-term vision and development of these land banks. Bringing in third party developers to support this vision reduces our long-term destination development risk and widens the array of products for destination end-users and investors.



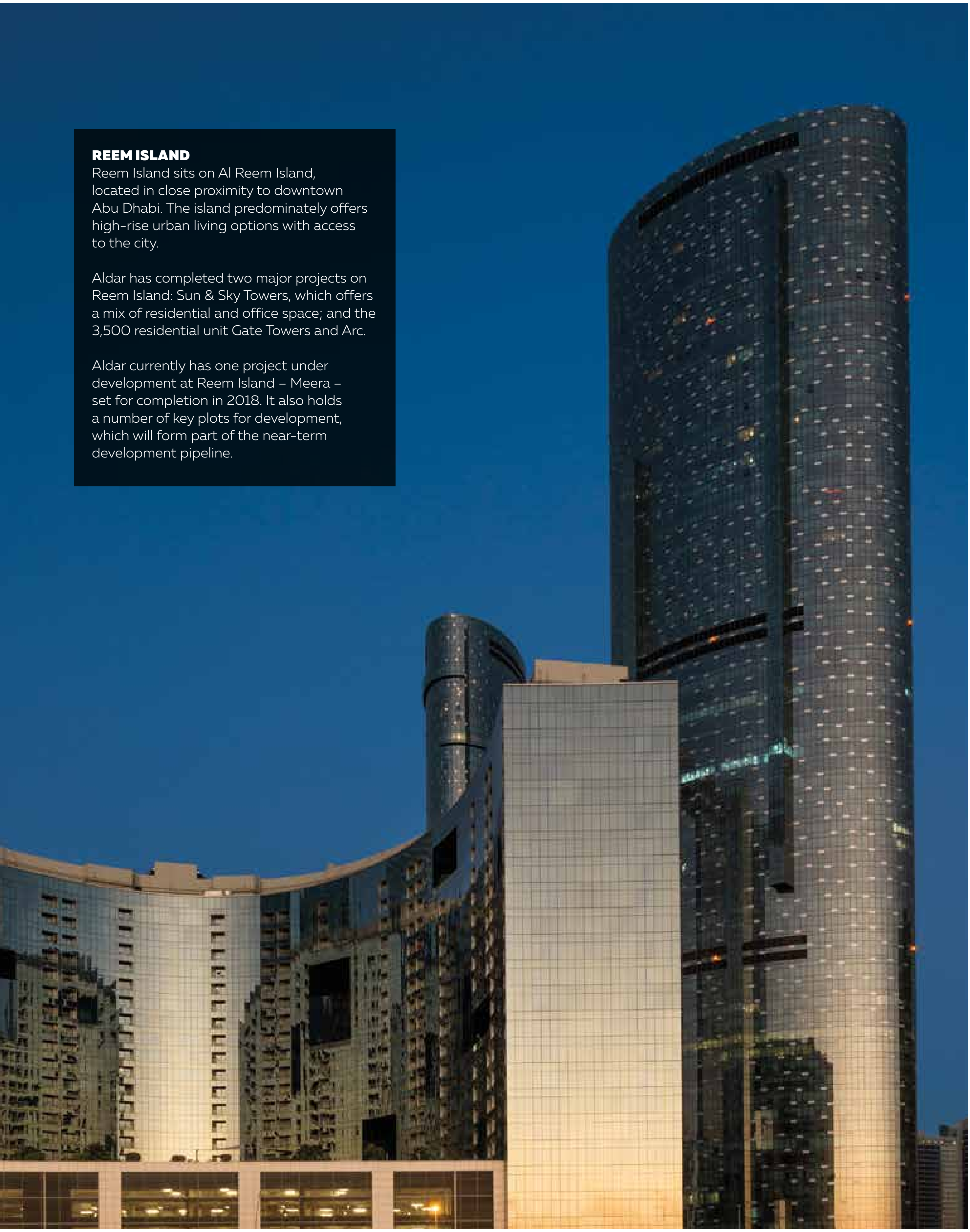
YAS ISLAND

Yas Island is a man-made island, 30km outside of Abu Dhabi, in the direction of Dubai. The island hosts a majority of the key leisure and entertainment attractions within Abu Dhabi including Yas Marina Circuit, Ferrari World, Yas Waterworld and Yas Mall.

There are further major tourism projects under development on the island including Warner Bros Abu Dhabi theme park and Sea World Abu Dhabi, set for completion in 2018 and 2022 respectively.

Aldar's existing assets on the island predominantly include seven hotels, Yas Mall and big-box retail (IKEA). Further to this, Aldar currently has four residential projects under development, totalling close to 3,500 units.

The completion and subsequent handover of these developments between 2017 and 2020 will result in significant growth of the local Yas Island population. This will have a major impact on our existing asset base on the island, which is further supported by continued investment into tourism infrastructure.



REEM ISLAND

Reem Island sits on Al Reem Island, located in close proximity to downtown Abu Dhabi. The island predominately offers high-rise urban living options with access to the city.

Aldar has completed two major projects on Reem Island: Sun & Sky Towers, which offers a mix of residential and office space; and the 3,500 residential unit Gate Towers and Arc.

Aldar currently has one project under development at Reem Island – Meera – set for completion in 2018. It also holds a number of key plots for development, which will form part of the near-term development pipeline.

AL RAHA BEACH

Al Raha Beach is a premium residential destination, running along the waterfront. The destination benefits from its close proximity to the main highway links into Abu Dhabi and Dubai as well as the Abu Dhabi International Airport.

Aldar has developed over 3,000 units across three developments on Al Raha Beach including, Al Bandar, Al Muneera and Al Zeina, and is currently developing Al Hadeel, with completion expected in 2017.

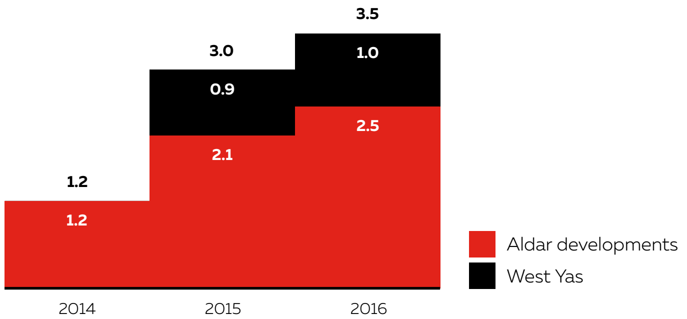
PROPERTY DEVELOPMENT

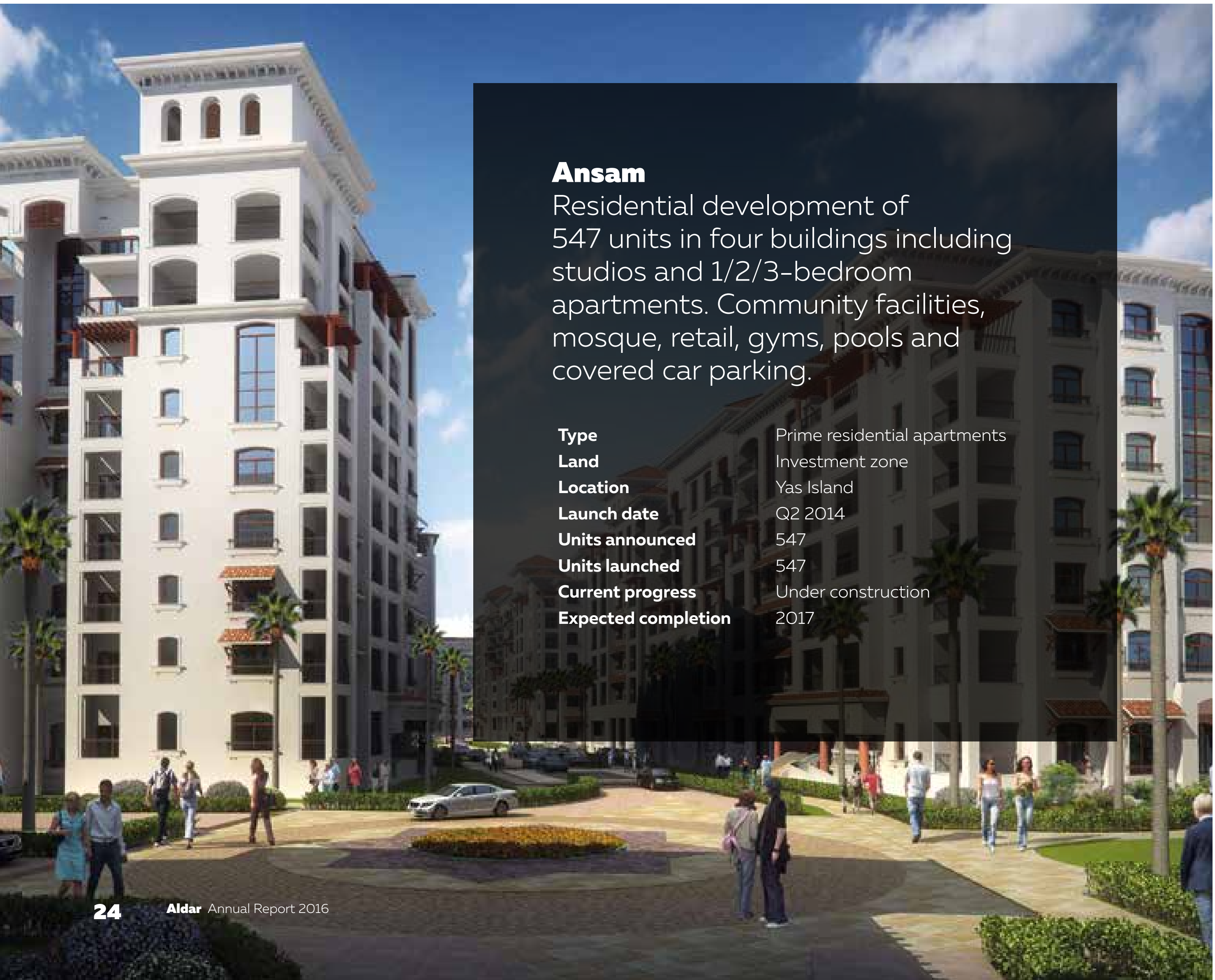
The core of the development business activities centre around the activation of its land bank. There are currently seven developments at different stages of completion:

PERFORMANCE

Since reopening the off-plan residential sales market in 2014, Aldar has seen a pick-up in the sales achieved year-on-year. During 2016, Aldar's development sales value reached AED 2.5 billion. This was further supported by AED 1.0 billion in sales from West Yas, a development management project which Aldar is managing and selling on behalf of a third party.

Sales performance
(AED BN)





Ansam
Residential development of 547 units in four buildings including studios and 1/2/3-bedroom apartments. Community facilities, mosque, retail, gyms, pools and covered car parking.

Type	Prime residential apartments
Land	Investment zone
Location	Yas Island
Launch date	Q2 2014
Units announced	547
Units launched	547
Current progress	Under construction
Expected completion	2017

Al Hadeel

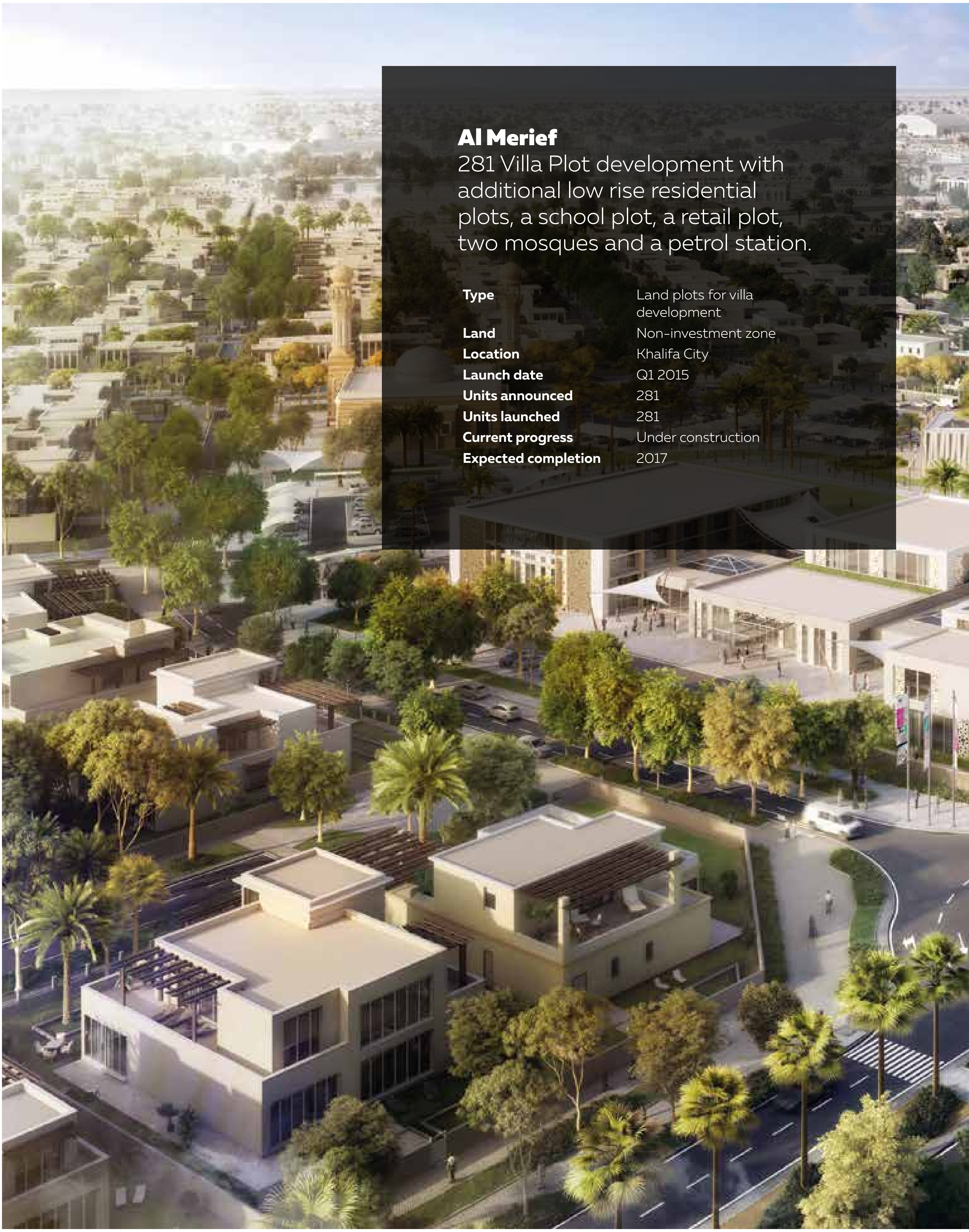
Residential Development offering 233 units across studio and 1/2/3-bedroom apartments and townhouses. Community facilities, retail, pools, gym and basement parking.

Type	Prime residential apartments
Land	Investment zone
Location	Al Raha Beach
Launch date	Q2 2014
Units announced	233
Units launched	233
Current progress	Under construction
Expected completion	2017

Al Nareel

Master community development with 147 prime plots for residential development. Master plan offers community centre with retail, pool, gym, community mosque and parks.

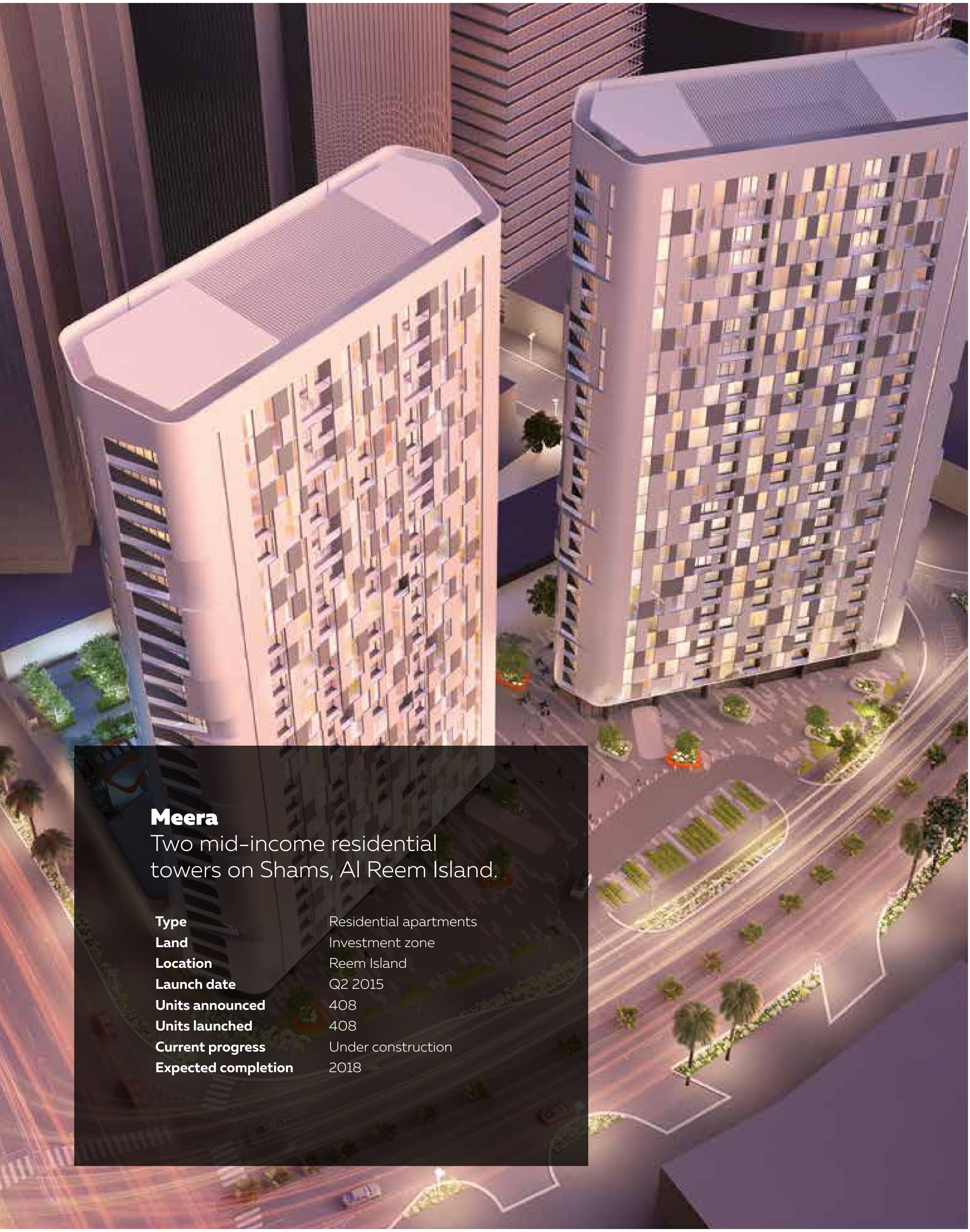
Type	Exclusive land plots for villa development
Land	Non-investment zone
Location	Al Nareel Island, close to Al Bateen, Abu Dhabi Island
Launch date	Q4 2014
Units announced	147
Units launched	147
Current progress	Under construction
Expected completion	2017



Al Merief

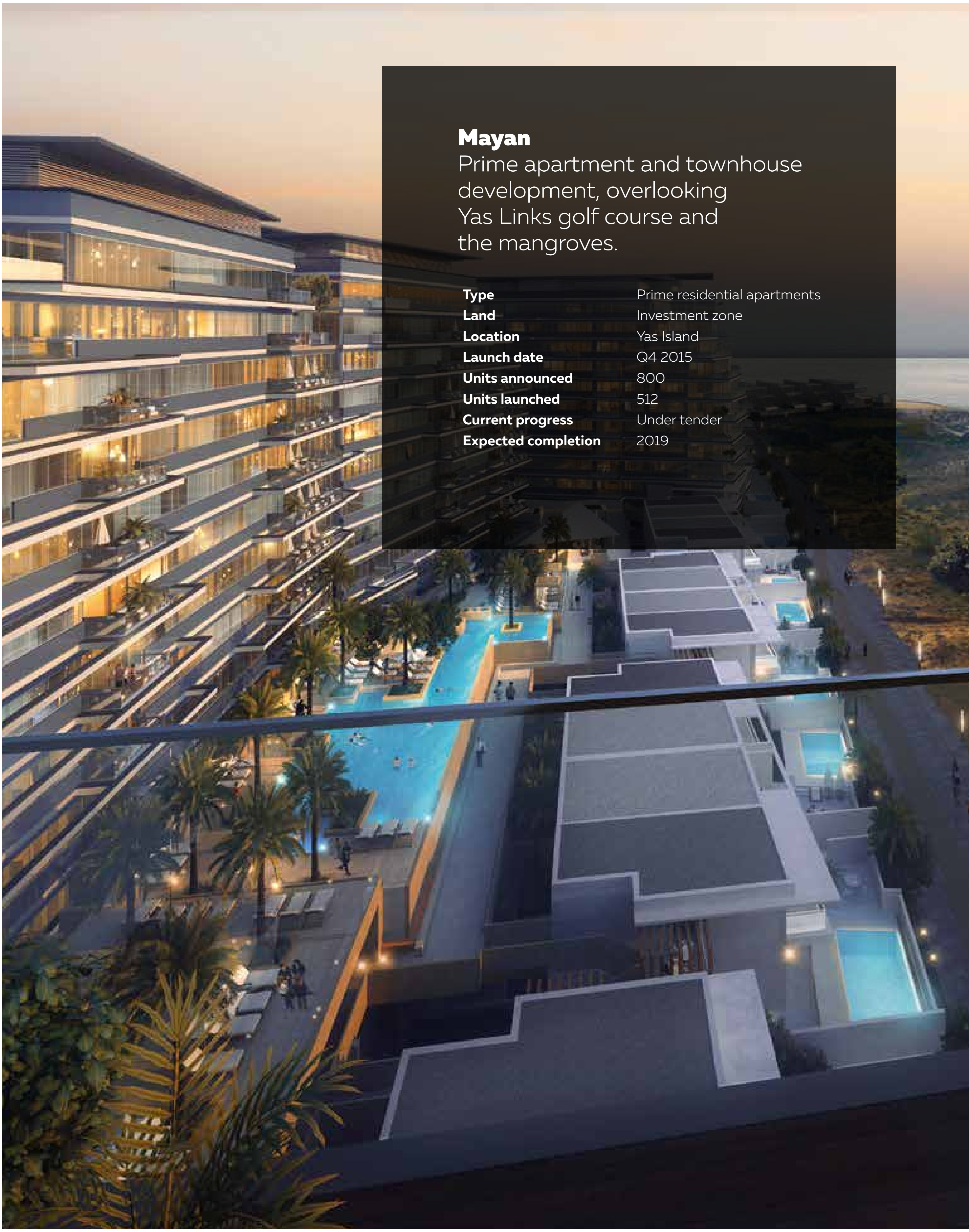
281 Villa Plot development with additional low rise residential plots, a school plot, a retail plot, two mosques and a petrol station.

Type	Land plots for villa development
Land	Non-investment zone
Location	Khalifa City
Launch date	Q1 2015
Units announced	281
Units launched	281
Current progress	Under construction
Expected completion	2017



Meera
Two mid-income residential towers on Shams, Al Reem Island.

Type	Residential apartments
Land	Investment zone
Location	Reem Island
Launch date	Q2 2015
Units announced	408
Units launched	408
Current progress	Under construction
Expected completion	2018



Mayan

Prime apartment and townhouse development, overlooking Yas Links golf course and the mangroves.

Type	Prime residential apartments
Land	Investment zone
Location	Yas Island
Launch date	Q4 2015
Units announced	800
Units launched	512
Current progress	Under tender
Expected completion	2019

Yas Acres

Master plan consists of 1,315 townhouses and villas as well as a nine-hole golf course, country club and marina. Master plan also features a mosque, a community retail centre, two schools and a petrol station.

Type	Villa and townhouse development
Land	Investment zone
Location	Yas Island
Launch date	Q2 2016
Units announced	1,315
Units launched	652
Current progress	Under tender
Expected completion	2019

DEVELOPMENT MANAGEMENT

Further to developing our own land banks and developments, Aldar tenders to manage the development of third party developments on a fee basis.

There are currently two fee-based projects under development with third parties, West Yas, a 1,017-unit residential development on Yas Island, and Abu Dhabi Plaza, a mixed-use development in Astana, Kazakhstan.

In previous years, Aldar was involved in the National Housing Initiative, a programme in which Aldar developed and delivered 9,000 residential units to the government of Abu Dhabi.

West Yas

West Yas is a investment zone development on Yas Island featuring 1,017 standalone villas. The master plan also includes a mosque, two schools, a retail centre, sports facilities and a petrol station, and will feature extensive landscaping and greenery in its wide, open public space.

Type	Villa development
Land	Investment zone
Location	Yas Island
Launch date	2015
Units announced	1,017
Units launched	1,017
Current progress	Under construction
Expected completion	2018

Abu Dhabi Plaza

Abu Dhabi Plaza is a mixed-use development in Astana, Kazakhstan. The development includes 466 apartments, 190 hotel rooms and 100 serviced apartments, as well as a retail podium and office accommodation.

Type	Mixed-use development
Location	Astana Kazakhstan
Current progress	Under construction
Expected completion	2019

ASSET MANAGEMENT

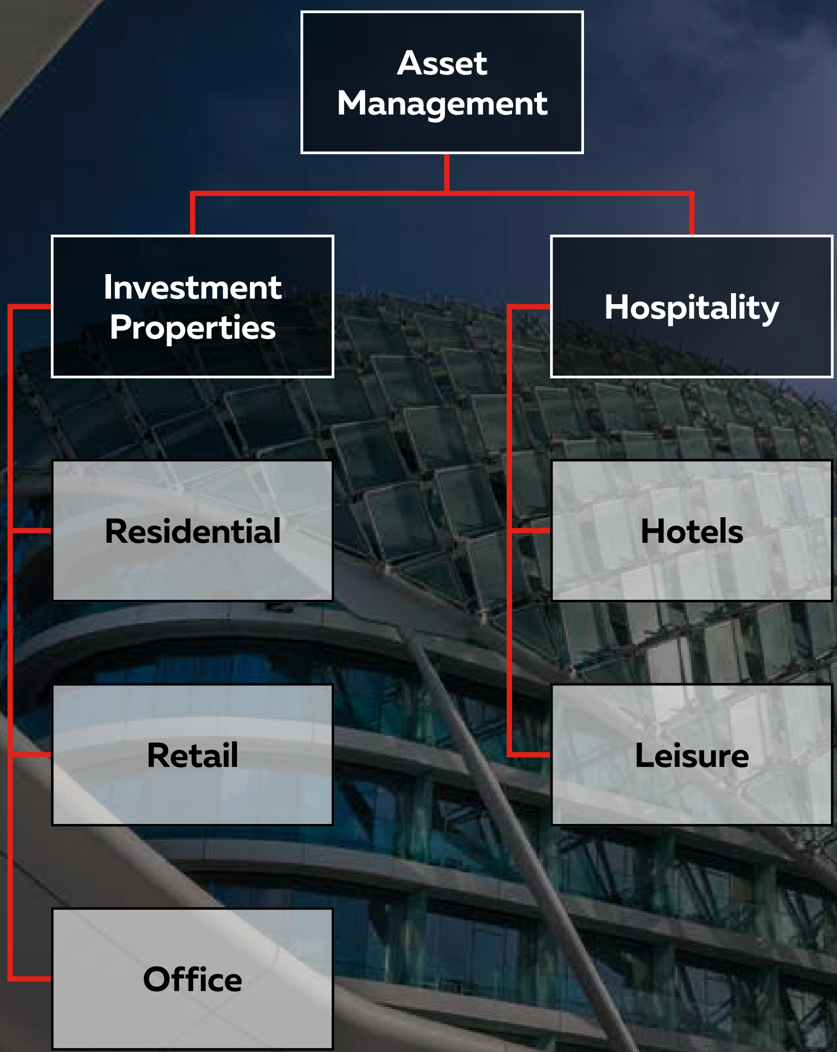
The Asset Management division is split into two main segments for reporting purposes:

- Investment properties, which predominantly includes our residential, retail and office assets
- Hospitality, which includes the hotel portfolio and leisure assets

The principal activities of the asset management business are predominantly based on the four key real estate asset classes: residential, retail, office and hotels that drive revenues and profit.

STRATEGY

The asset management strategy is built around the Group strategy to create and manage high-quality living, working and shopping experiences that will maximise the value of our recurring revenue assets.



INVESTMENT PROPERTIES

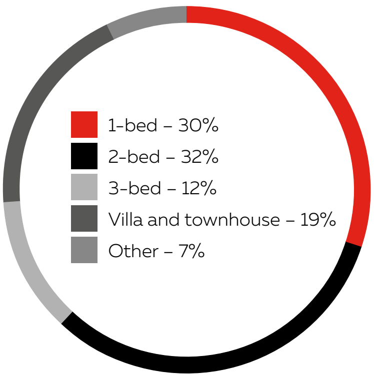
RESIDENTIAL

The residential portfolio includes 4,800 residential units across 10 completed Aldar developments.

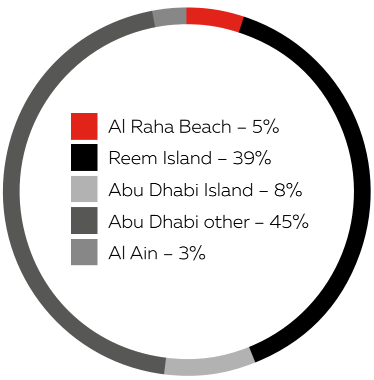
The residential portfolio includes a wide array of high-quality units ranging from studio apartments to villas. This has allowed the portfolio to appeal to a wide spectrum of the market, with emphasis on the mid to prime market.

All of the units are located within Abu Dhabi, with a concentration of units positioned on Al Reem Island and Khalifa City.

Residential – unit split



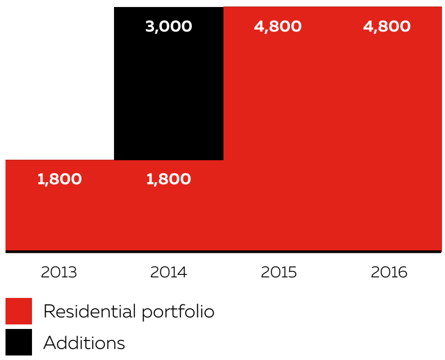
Residential – location split



The residential portfolio has experienced significant growth over the last few years with the completion and subsequent handover of two major residential developments in 2014, Al Rayyana and The Gate Towers, each adding approximately 1,500 units to the portfolio.

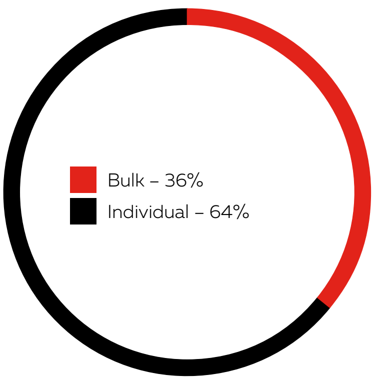
Residential portfolio evolution

(NO. OF UNITS)



The residential strategy has focused on diversifying the tenant mix between individuals, which can be renewed annually and multi-year bulk tenancy agreements with corporates. As at 31 December 2016, bulk deals represented 36% of the units in the portfolio, with the average remaining bulk deal lease at four years.

Residential – type split as at 31 Dec 2016



Performance

Despite weaker wider macro conditions, occupancy performance of the residential portfolio has been well supported by continued demand for quality residential in Abu Dhabi. Residential occupancy across the portfolio stood at 92% as at 31 December 2016.

Focus: Al Rayyana

Al Rayyana is one of the key residential assets in the residential Asset Management business. The development was completed in 2014 and includes 1,537 apartment units ranging from 1–3-bedroom apartments.

RETAIL

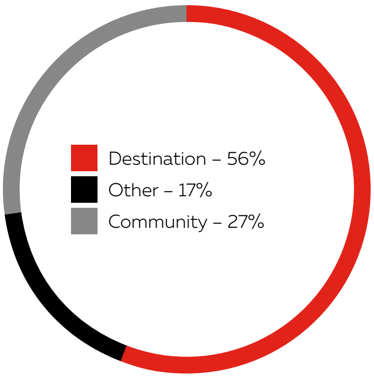
Our retail portfolio includes 470,000 sqm gross leasable area (GLA) across 25 assets within the Abu Dhabi metropolitan area and Al Ain.

The retail strategy is split between community retail, which offers residents key amenities such as supermarkets, hairdressers, restaurants and dry cleaners, as well as destination retail, which provides a much broader retail and entertainment offering.

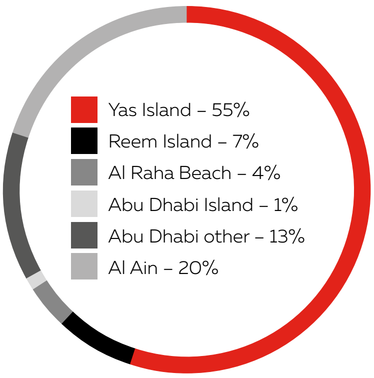
The community retail predominantly includes on-site convenience retail, based around many of Aldar's residential communities. Destination retail includes Aldar's two largest retail assets, Yas Mall and Al Jimi Mall. Other retail incorporates our "big box" retail on Yas Mall, which includes an IKEA and a hardware superstore, Ace.

The majority of our retail portfolio is situated on Yas Island, supported by Yas Mall, which represents almost 50% of the total GLA. Retail on our other key destinations represents 11%, with the remainder split between Abu Dhabi and Al Ain.

Retail – type split

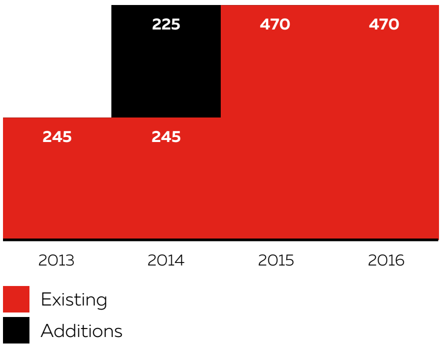


Retail – location split



The main addition to our retail portfolio in recent years was the handover of Yas Mall in 2014. Since then, there has been no retail handovers in the portfolio.

Retail GLA evolution
(000'S SQM)

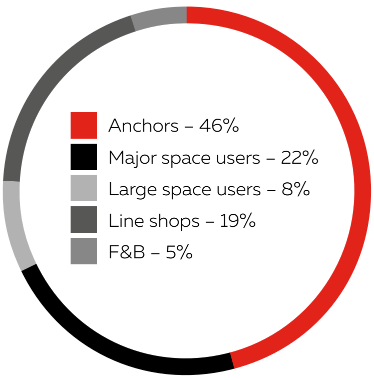


Yas Mall

Yas Mall is the largest single asset in the asset management portfolio with 225,000 sqm GLA. Yas Mall is located in the centre of Yas Island, within close proximity of the key leisure and entertainment offerings on the island.

Opened in November 2014, Yas Mall brought a much-needed improvement to the Abu Dhabi retail environment, which had been experiencing underinvestment in recent years. The mall is fully leased and over the course of 2015 and 2016, occupancy stabilised as retailers opened up. Trading occupancy stood at 94% as at 31 December 2016.

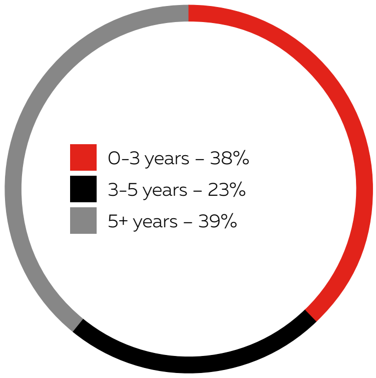
Yas Mall – retail split



While Yas Mall continues to attract visitors to Yas Island, there is currently only a small local population that live on the island, within close proximity to the mall. Over the next several years, this is set to change, with the delivery of Aldar's current development pipeline, which includes 3,500 units on Yas Island. The first development to be delivered will be Ansam, a 547-unit residential development, set for completion in 2017.

A growing local population combined with the government's continued investment in new tourism destinations, such as Warner Bros Abu Dhabi and SeaWorld Abu Dhabi on Yas Island, will provide short to medium-term support for Yas Mall growth.

Yas Mall – remaining lease length



Focus: Yas Mall

Yas Mall is the flagship asset in the asset management business. The mall is predominantly based over two floors. Skylights are placed throughout the structure which allows a significant amount of natural light into the building, making it a very pleasant shopping experience.

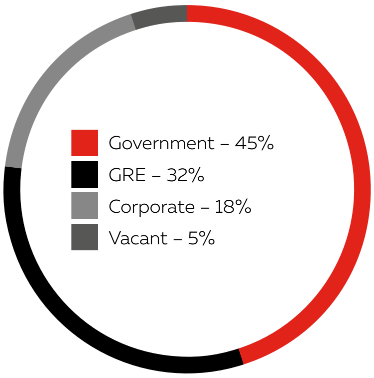
OFFICE

Our office portfolio includes 204,000 sqm GLA of office space, split across seven assets.

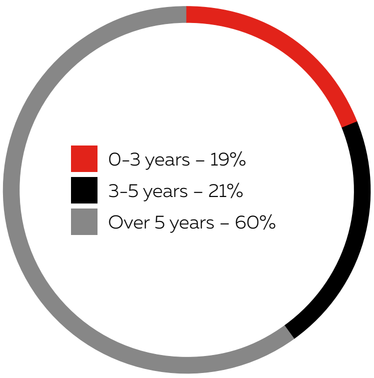
The office portfolio is predominantly leased on a long-term basis to government and government-related entities, which represent a majority of the Abu Dhabi office tenant market. Leases to corporate tenants represent 18% of the total GLA. The office strategy is to maintain high quality office space and build long-term relationships with tenants.

As at 31 December 2016, the average tenure of remaining leases was five years.

Office – tenant split

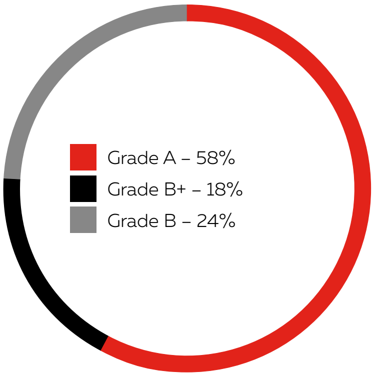


Office – remaining lease split

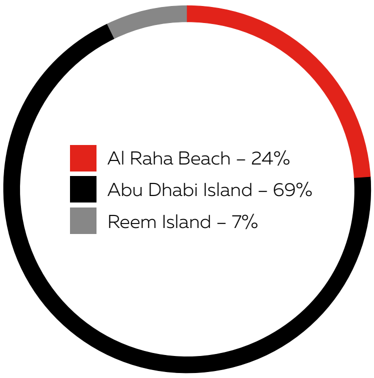


A majority of our office portfolio is high-quality Grade A and Grade B space. The office portfolio is predominantly based on Abu Dhabi Island.

Office – type split

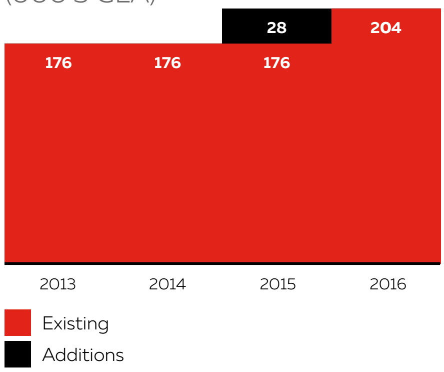


Office – location split



The latest addition to the office portfolio was Daman House, an acquisition as part of the Group's investment plan to expand and grow the asset management portfolio and net operating income (NOI). Daman House was acquired at the end of 2015, adding 23,000 sqm GLA office space to the portfolio, an 11% increase in the GLA. Since then there have been no further acquisitions.

Office portfolio evolution
(000'S GLA)



Performance

Office occupancy was stable throughout 2016 at 95%, having experienced a pickup in occupancy during 2015 supported by demand for quality office space.

Rates have been somewhat under pressure in the market, however, there continues to be demand for quality Grade A office space, given the market vacancy rate remains low.

Focus: Aldar HQ

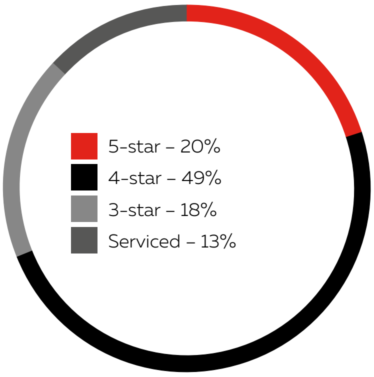
Aldar HQ is the flagship office asset in the portfolio, which includes 48,000 sqm GLA of prime Grade A office space. The building is 97% leased to a mix of government agencies and multinational corporates.

HOSPITALITY

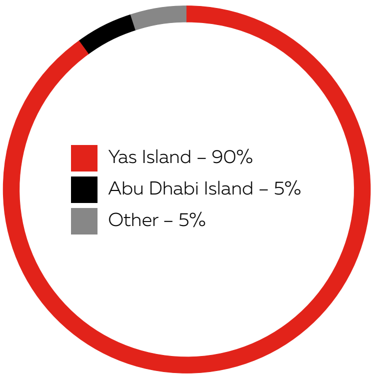
HOTELS

Our hotels portfolio includes 2,536 keys across nine hotels and serviced apartments across the Emirate of Abu Dhabi.

Hotels – type split by keys



Hotels – location split by keys



The hotel portfolio includes a broad range of product offerings including 5-star, 4-star, 3-star hotel rooms and serviced apartments. The 4-star hotels constitute almost half of the portfolio by number of keys.

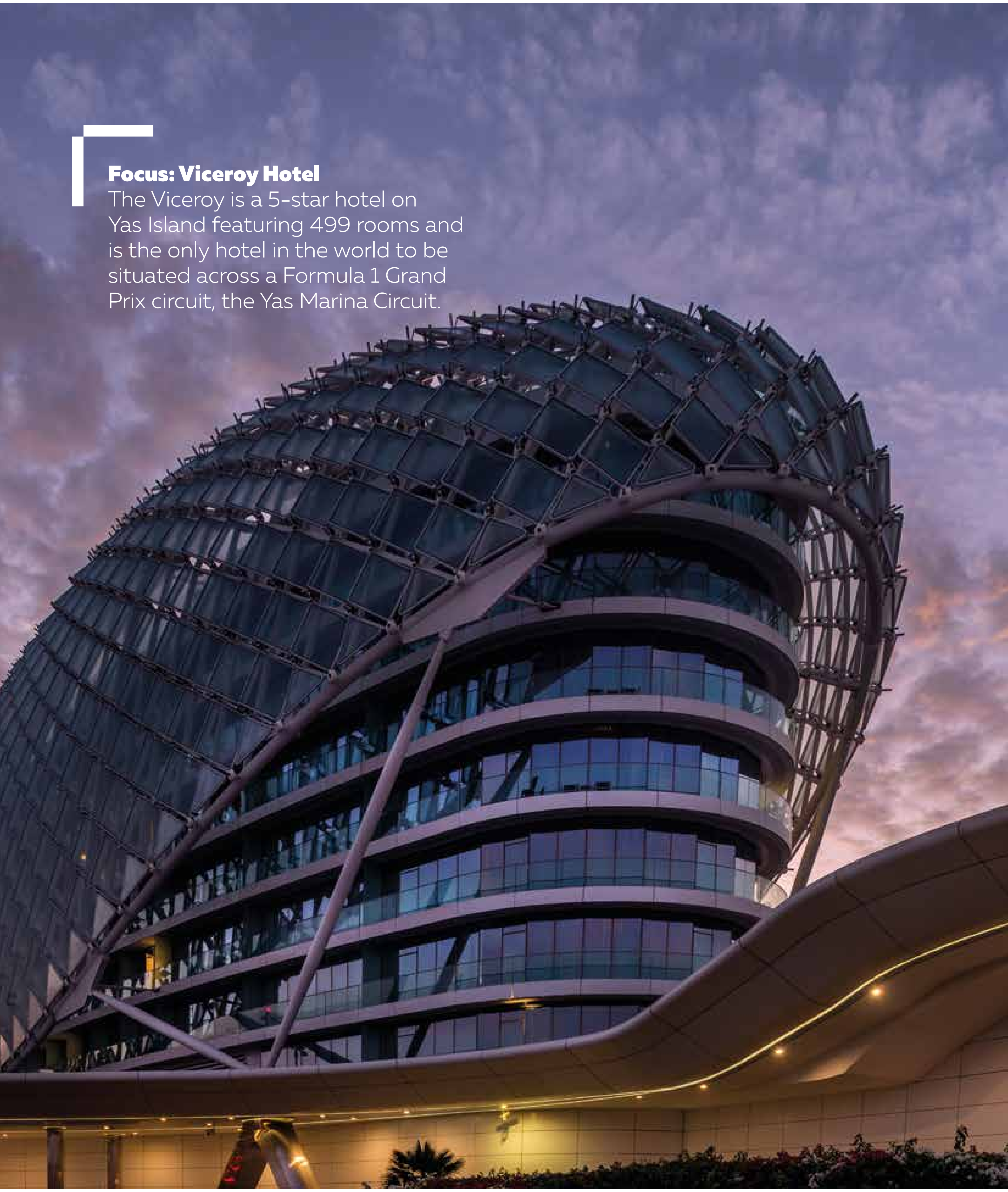
With 90% of our hotel keys located on Yas Island, our core strategy remains focused on continued activation of the island through major events and promotion. We are working alongside the relevant government bodies to achieve this strategy.

Aldar does not operate the hotels, instead employing reputable international operators through hotel management agreements (HMA) to manage the day-to-day operation of the assets. These HMAs include certain performance metrics to align the interests of the operators to those of the asset owners to encourage performance.

Performance

Given the weather climate in Abu Dhabi, hotel performance is extremely seasonal. This typically means that the cooler first and fourth quarters of the year are significantly stronger than the other two, which are impacted by the summer season.

2016 was a challenging year for the Abu Dhabi hotels sector as the macro environment weighed on government spending and sentiment. Whilst this was partly offset by a stronger leisure market, supported by the continued activation of Yas Island as a tourist destination, occupancy and average daily rates (ADR) performance across the hotels portfolio saw declines relative to last year. Hotel occupancy for 2016 full year was 77%, versus a wider Abu Dhabi market of 73%.



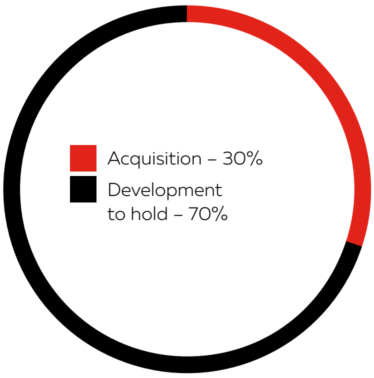
Focus: Viceroy Hotel
The Viceroy is a 5-star hotel on Yas Island featuring 499 rooms and is the only hotel in the world to be situated across a Formula 1 Grand Prix circuit, the Yas Marina Circuit.

INVESTMENT PLAN

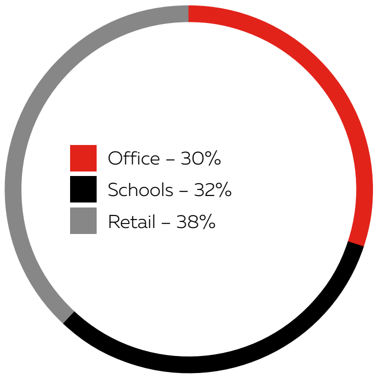
An AED 3 billion investment plan was announced to support a target of increasing net operating income to AED 2.2 billion by the end of 2020. This represents a 40% increase over the 2016 NOI achieved.

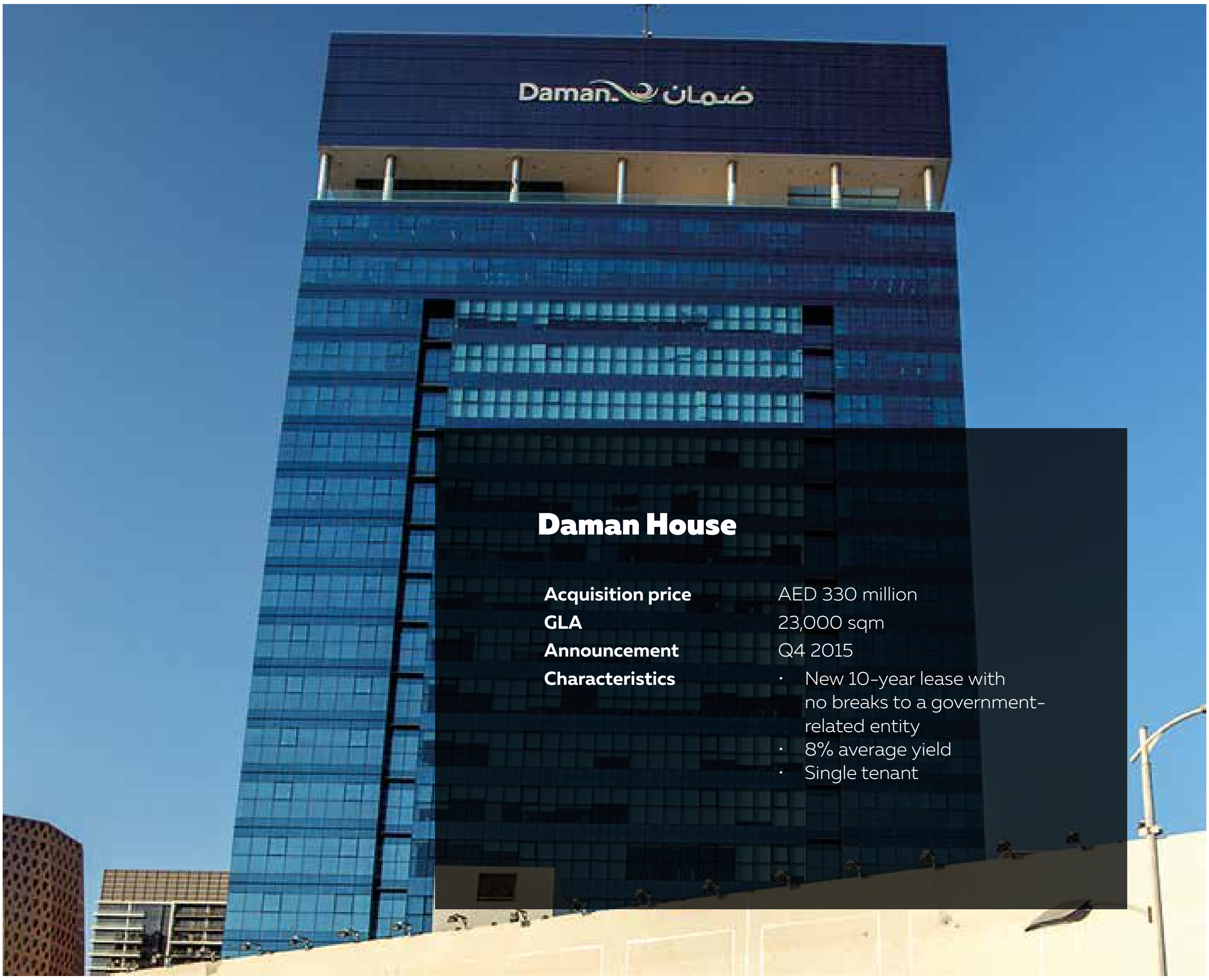
As at 31 December 2016, AED 1.1 billion has been committed across four assets including an office acquisition, Daman House, two new school developments (Al Mamoura School and Repton School) and a renovation and expansion of an existing retail asset, Al Jimi Mall.

Investment spend by type to date



Investment spend by class to date





Daman House

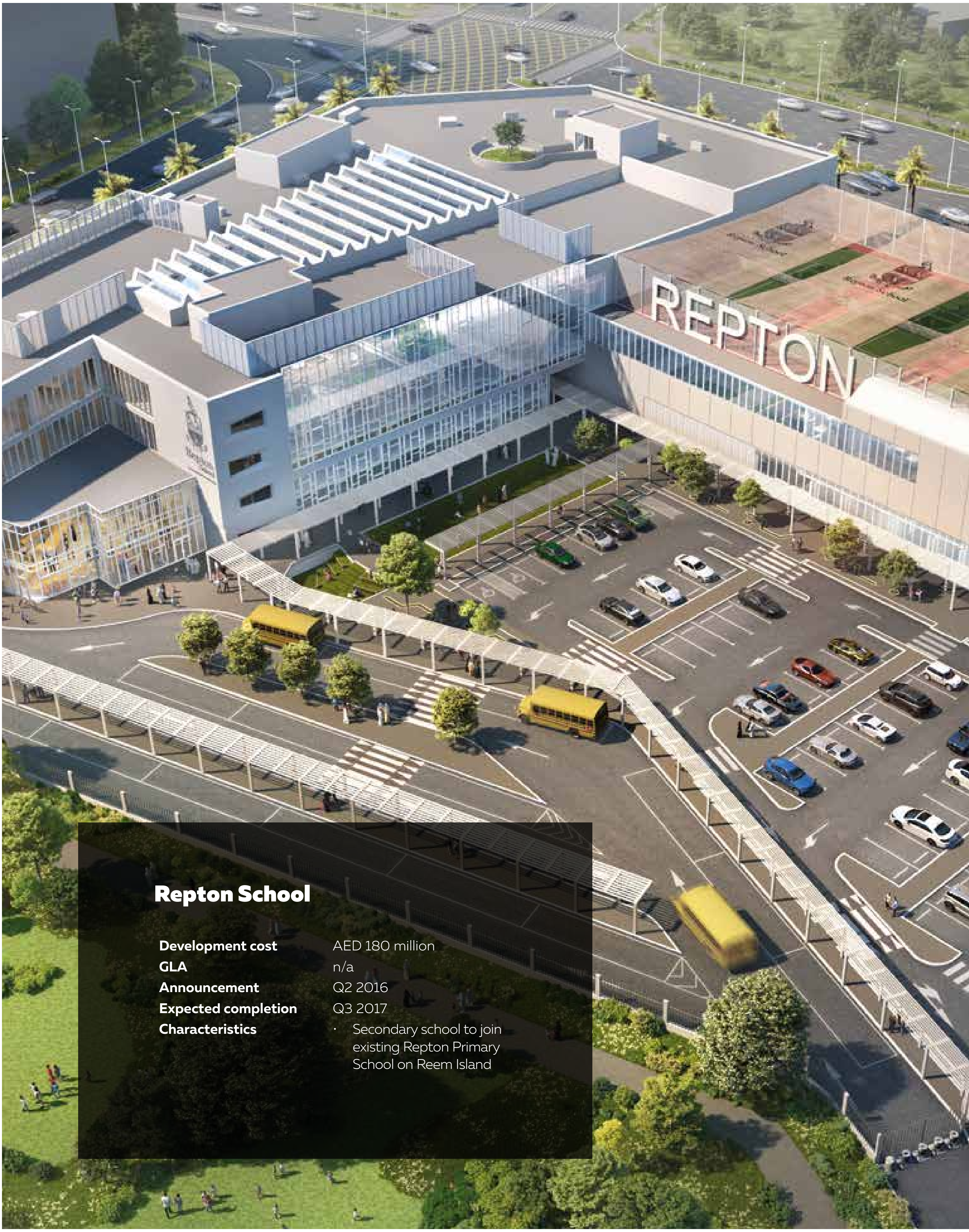
Acquisition price	AED 330 million
GLA	23,000 sqm
Announcement	Q4 2015
Characteristics	· New 10-year lease with no breaks to a government-related entity · 8% average yield · Single tenant

Al Jimi Mall

Development cost	AED 410 million
GLA	39,000 sqm
Announcement	Q1 2016
Expected completion	2018
Characteristics	• Enhance Al Jimi mall retail mix and offering • Reinvest in existing asset with full renovation

Al Mamoura School

Development cost	AED 170 million
GLA	n/a
Announcement	Q1 2016
Characteristics	• Seventh school to join Aldar Academies • 8% average yield • 1,800 student capacity to be rolled out • Opened for 2016/2017 academic year



Repton School

Development cost	AED 180 million
GLA	n/a
Announcement	Q2 2016
Expected completion	Q3 2017
Characteristics	· Secondary school to join existing Repton Primary School on Reem Island

ADJACENT BUSINESSES

Our Adjacent Businesses principally include three businesses. Each Adjacent business is fully managed independently of Aldar.

ALDAR ACADEMIES

From a single, 247-student facility in 2007, the 100% Aldar Properties-owned Aldar Academies has become one of the UAE's leading private education providers. Following the opening of two new state-of-the-art schools in 2016 for the 2016/2017 academic year, Aldar Academies has increased its capacity from 5,100 to 8,700 students across its seven schools in Abu Dhabi and Al Ain.

West Yas Academy, which opened in 2016, become the first in the portfolio to teach the American Massachusetts State Curriculum, which is the most highly-regarded curriculum in the United States. Al Mamoura Academy, which also opened in 2016 is a mixed primary school and Aldar Academies' first girls-only secondary school, meeting the growing demand for single-gender education in the UAE capital.

Aldar Academies' curricula, which have been specifically adapted for the UAE market, are delivered by teachers of international calibre and experience. They offer a range of curricula including the English National Curriculum with an international dimension, American Massachusetts State Curriculum and the International Baccalaureate Diploma Program.

Three schools in the Aldar Academies network received an "Outstanding" grade from the Abu Dhabi Education Council (ADEC). Al Muna, Al Bateen and Al Mushrif schools are the first to receive this rating level since ADEC began inspections in 2009.

KHIDMAH

Khidmah is a fully integrated facilities management solutions provider, 60% owned by Aldar. The company provides a wide range of services across property and facilities management, as well as consultancy services.

The business has grown rapidly since its inception in 2008. In 2014, Khidmah expanded its facility management services outside of the UAE and into the Kingdom of Saudi Arabia. Within the UAE, Khidmah works closely with Aldar to support the property and facilities management on a range of residential and office developments developed or owned by Aldar, as well as expanding its own portfolio of clients.

PIVOT

Pivot is a construction business principally operating in the UAE and is 65.2% owned by Aldar.

Pivot has been operating for more than 35 years in the UAE and is recognised as one of the country's top contractors. Pivot operates fully independently of Aldar, however, and in some cases will tender for Aldar development projects. It was awarded a contract for the extension and renovation of Al Jimi Mall in Al Ain, which is expected to be completed in 2018.

The total value of contracts awarded for 2016 was AED 2 billion across six projects. The contracting business remains challenging, with significant competition for projects putting pressure on margins and profitability in recent years.

Engaging society through art

Aldar believes that it is the people within that make a house a home, and this was the inspiration behind the commissioning of "الدار عامرة بأهلها", meaning the beauty of our home comes from its people, a poem by Emirati Hassan Obaidly to mark the UAE's 45th National Day.

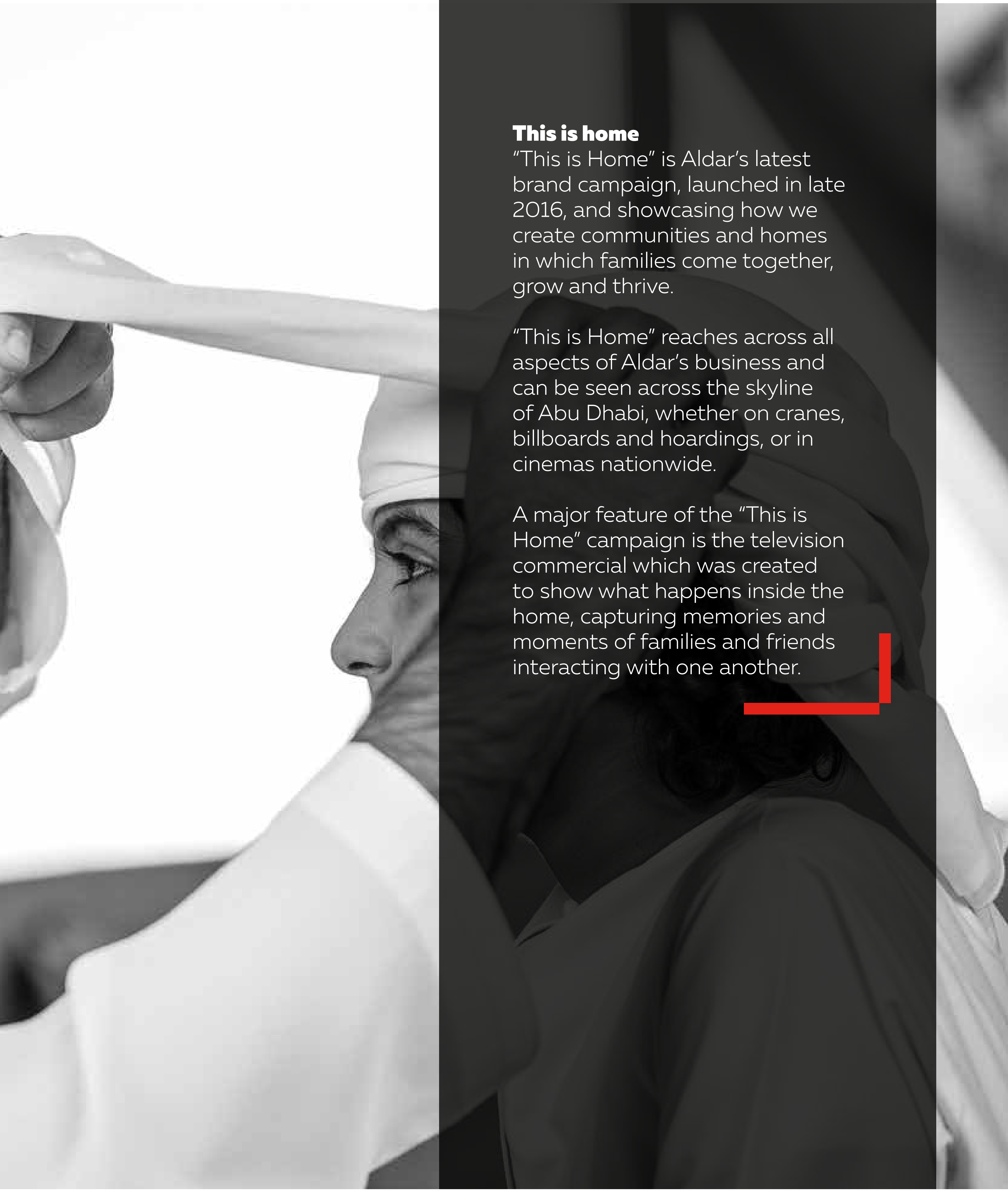
To increase the reach of the poem, which was also turned into a song with music and vocals by UAE Nationals Moussam Mohammed and Aida Menhali, Aldar launched a region-wide calligraphy competition to bring the words to life on canvas.

Attracting hundreds of applicants, Aldar, in collaboration with renowned calligrapher Mohammed Mandi, announced the winner in November in a ceremony attended by His Excellency Sheikh Nahyan Bin Mubarak Al Nahyan, UAE Minister of Culture and Youth Development.

Urban beautification

Aldar, through its iconic developments, continues to make a big impact on Abu Dhabi's skyline. At road level, Aldar is increasingly making its presence felt in new and innovative ways. In July 2016, Aldar unveiled a first of its kind, 600m-long mural alongside Al Raha Beach. Completed in just five weeks and visible from the highway leading in and out of Abu Dhabi, the mural is an expression of the culture, tradition and true spirit of the UAE.

Having drawn great interest from audiences across the capital, Aldar hopes the mural will help to educate and inspire creativity among the UAE's citizens, residents and visitors.

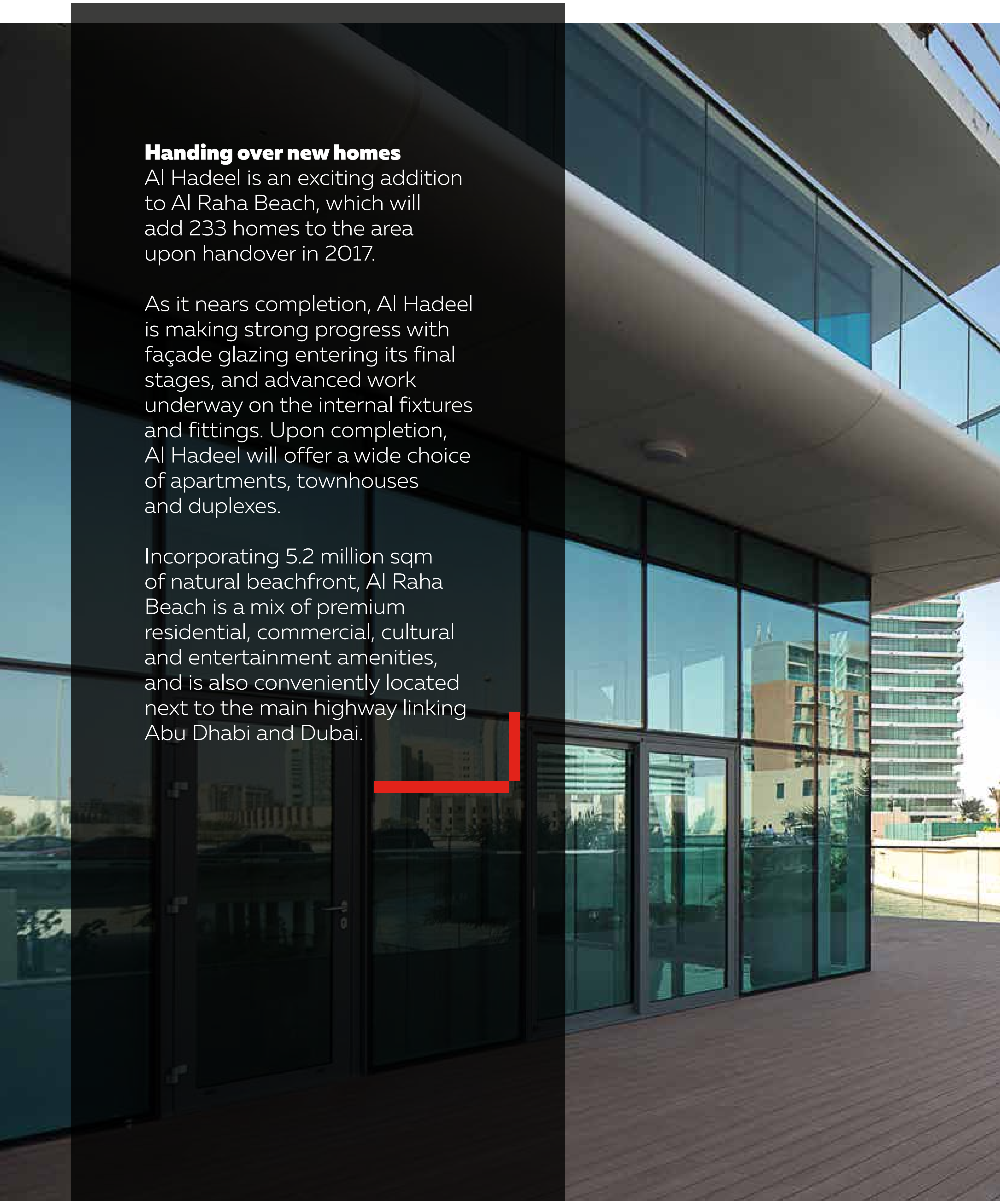


This is home

"This is Home" is Aldar's latest brand campaign, launched in late 2016, and showcasing how we create communities and homes in which families come together, grow and thrive.

"This is Home" reaches across all aspects of Aldar's business and can be seen across the skyline of Abu Dhabi, whether on cranes, billboards and hoardings, or in cinemas nationwide.

A major feature of the "This is Home" campaign is the television commercial which was created to show what happens inside the home, capturing memories and moments of families and friends interacting with one another.



Handing over new homes

Al Hadeel is an exciting addition to Al Raha Beach, which will add 233 homes to the area upon handover in 2017.

As it nears completion, Al Hadeel is making strong progress with façade glazing entering its final stages, and advanced work underway on the internal fixtures and fittings. Upon completion, Al Hadeel will offer a wide choice of apartments, townhouses and duplexes.

Incorporating 5.2 million sqm of natural beachfront, Al Raha Beach is a mix of premium residential, commercial, cultural and entertainment amenities, and is also conveniently located next to the main highway linking Abu Dhabi and Dubai.

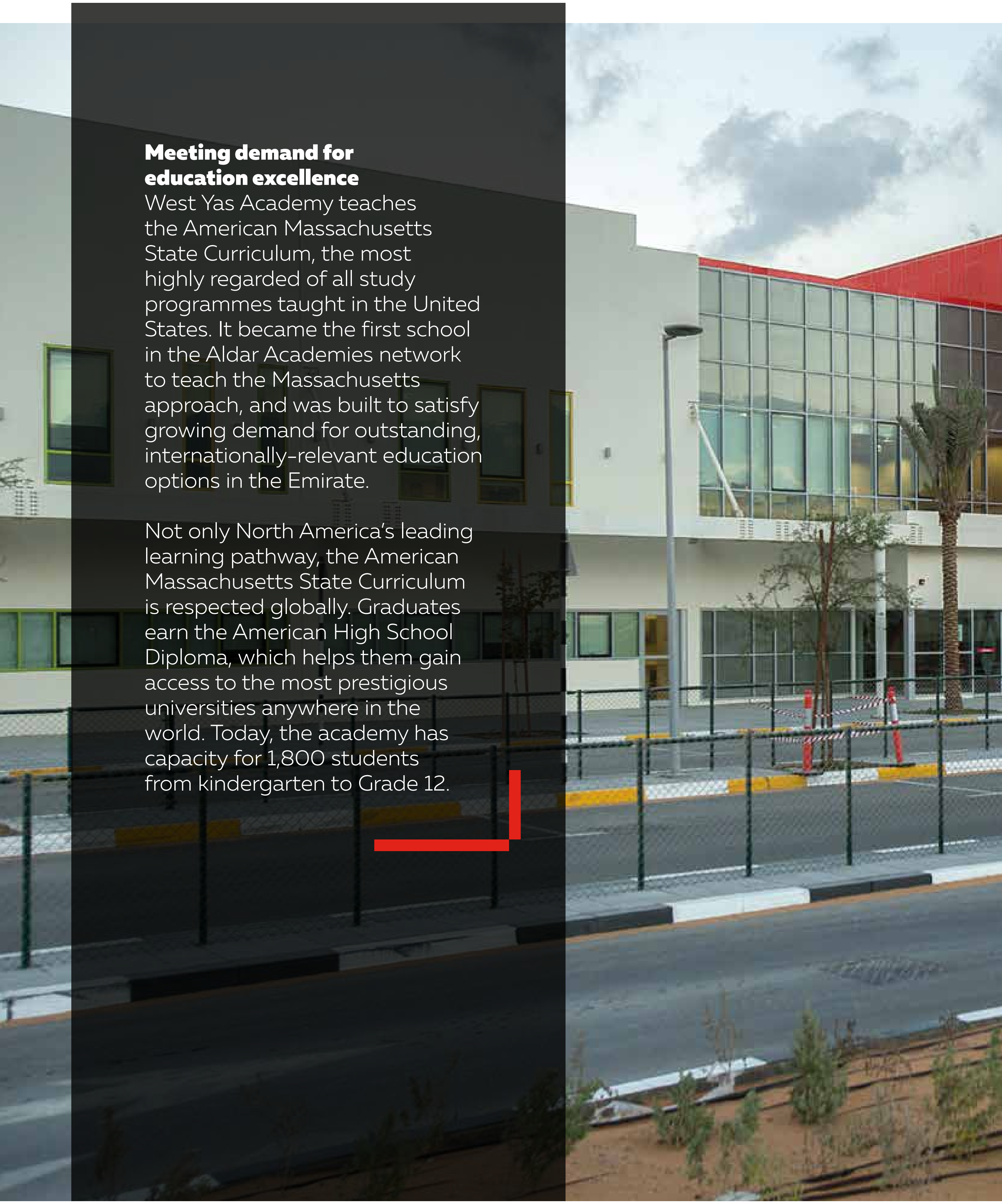

YAS ACRES

Connecting with our customers

In April 2016, Aldar unveiled its new sales centre on Yas Island, which provides an immersive visitor experience for Aldar's flagship development – Yas Acres.

Focusing on the experiential over the transactional, the sales centre features unit models, master plan, lounge areas, children's play area and café.

By creating a dedicated facility in which customers can relax at the same time as learning about the development, Aldar has enabled people to make more considered purchasing decisions, ably supported by our knowledgeable sales staff.



Meeting demand for education excellence

West Yas Academy teaches the American Massachusetts State Curriculum, the most highly regarded of all study programmes taught in the United States. It became the first school in the Aldar Academies network to teach the Massachusetts approach, and was built to satisfy growing demand for outstanding, internationally-relevant education options in the Emirate.

Not only North America's leading learning pathway, the American Massachusetts State Curriculum is respected globally. Graduates earn the American High School Diploma, which helps them gain access to the most prestigious universities anywhere in the world. Today, the academy has capacity for 1,800 students from kindergarten to Grade 12.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ALDAR ACADEMIES
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WEST YAS ACADEMY

Financial review

2016 has been another successful year for Aldar driven by strong operational and financial performance across the business.

Our balance sheet continues to go from strength to strength, supported by a disciplined debt policy, while the introduction of a formalised dividend policy provides greater transparency and visibility on capital allocation and shareholder returns.

OPERATIONS DRIVING FINANCIAL PERFORMANCE

From an operational perspective, we saw a strong performance across both the development and asset management businesses. Development sales grew 19% to AED 2.5 billion year-on-year supported by the launch of Yas Acres, a new development catering to an untapped segment of the Abu Dhabi residential market. Development revenues also saw impressive growth versus 2015, following a number of significant land sales during the year and steady progress on our projects under development.

As at 31 December 2016, our development business had a net revenue backlog of AED 4.1 billion, providing visibility on future revenues for the coming years. This is also supported by an ambitious development pipeline targeting untapped segments of the market.

Net operating income from our recurring revenue asset base grew 5% year-on-year to AED 1.6 billion, in line with guidance. The diversity and quality of our asset base has allowed us to maintain solid occupancy levels across our assets.

Over the past several years, we have seen significant progress across our business. Our development launch and sales momentum has gathered pace, with sales growing 17% year-on-year as we focused on uptapped and underserved segments of the market. Our asset management business saw continued growth in net operating income in 2016 to AED 1.6 billion, driven by resilient performance from all asset classes.

Over the last few years, major infrastructure handovers to the government have generated significant income events, and are set to continue for the short-term. Going forward, we are confident that ongoing growth in our core development and asset management businesses will driving earnings growth.

ALIGNING DEBT PROFILE WITH ASSET BASE

During the year AED 1.8 billion in short-term facilities were refinanced with new five-year, seven-year and 10-year loans, which not only extended average debt maturity to 3.5 years but also replaced existing amortising loans with bullet maturity loans.

Debt as at 31 December 2016 was AED 5.6 billion, down from AED 6.0 billion in 2015, and in line with our debt policy. Going forward gross debt should remain broadly stable during 2017 with no further major pay downs. Beyond this, we will look to increase our gross debt in line with our plans to grow our asset management business and net operating income, however, within our scope of our debt policy.

BALANCE SHEET REMAINS ROBUST

Over the last several years we have strengthened our balance sheet through the collection of government receivables and subsequent pay down of debt.

In 2016, this focus shifted to the restructuring of long-term land sale receivables. During the year we successfully restructured AED 0.9 billion in historic land sales that has resulted in a leaner, more efficient balance sheet. We remain committed to ensuring a strong balance sheet with a prudent debt policy in place whilst continuing to allocate capital to value accretive investments. This all helps support the medium-term growth ambitions of our asset management business.

We are particularly pleased with the recent upgrades from both S&P and Moody's by one notch each to BBB and Baa2, which happened in August 2016 and February 2017, respectively.

SHAREHOLDER RETURNS

The introduction of a formal dividend policy from 2016 has provided greater transparency and visibility on shareholder returns. The policy was designed to pay cash dividends to shareholders based on the cash flow performance of both the asset management and development businesses.

The 2016 proposed dividend of 11 fils is based on the top-end of our distributable free cash flow from the recurring revenue asset base pay-out range. With a number of projects set for handover from Q4 2017, we expect future dividends to include amounts attributable to the development business.

In summary, whilst the market was challenging in 2016, our focus on untapped segments of the off-plan residential market, combined with the resilience of our diverse portfolio of quality assets, resulted in a solid performance. This combined with our financial strength gives me confidence that we will continue to perform strongly and drive further growth in shareholder returns for the year ahead.

The financial information contained in this review is based on the consolidated financial statements.

2016 HIGHLIGHTS

- Net profit rose 8% to AED 2.8 billion supported by strong operational performance from both the development and asset management businesses.
- Gross profit rose 20% to AED 2.6 billion, driven by a number of significant development land sales and growth of the recurring revenue business net operating income.
- Full-year gross profit from recurring revenues rose by 5% to AED 1.6 billion, underpinned by growth in retail year-on-year.
- Gross debt sits at AED 5.6 billion as at 31 December 2016, in line with debt policy.
- 2016 development sales of AED 3.5 billion, driven by the launch of Yas Acres, West Yas and Mayan, ahead of AED 3.0 billion in 2015.
- 80% sold across all 2,780 development units currently launched to market as at 31 December 2016.
- Aldar Academies opened two new schools for the 2016-2017 academic year, expanding capacity to 8,700 student seats.
- Proposed cash dividend for 2016 is 11 fils per share, a 10% increase over 2015 (10 fils per share).

ASSET MANAGEMENT

Revenues from our asset management portfolio, which includes investment properties, hotels, operative villages and leisure decreased by 1% in 2016 to AED 2.4 billion due to falling hospitality revenues, which were broadly offset by stronger retail and office revenues.

Full-year gross profit from asset management revenues rose 7% to AED 1.5 billion in 2016, underpinned by stabilised trading occupancy at Yas Mall, as well as inclusion of the acquired office asset, Daman House.

Following the fair valuation of its investment properties, the Company recorded AED 170 million of net fair value losses for the year, which resulted mainly from softer outlook on residential rents.

One important accounting policy change during the year was the early adoption of IFRS 16. This standard addresses the treatment of leases, whereby all leases are now capitalised as assets and liabilities and reflected on the balance sheet. This resulted in an opening adjustment to balance sheet and has a classification impact of costs on the income statement, however, no impact to cash.

Other operational achievements for the year 2016 were as follows:

RETAIL

- Yas Mall trading occupancy stood at 94% as at 31 December 2016.

RESIDENTIAL

- Residential portfolio is 92% leased as at 31 December 2016, despite a softer macro-economic backdrop.

OFFICE

- Office occupancy is 95% as at year end.

HOTELS

- 2016 full year hotel portfolio occupancy was 77%, down from 79% in 2015, however, outperforming the wider Abu Dhabi market.

DEVELOPMENT

Aldar's property development pipeline was supported by the announcement and launch of Yas Acres, a 1,315 villa development on Yas Island.

The development sales value across all developments was AED 3.5 billion for 2016, driven by Yas Acres, West Yas and Mayan. 2016 development sales were 17% ahead of AED 3.0 billion achieved in 2015.

Property Development and Management segment revenues for the year amounted to AED 2.5 billion during 2016, contributing AED 1.2 billion to the gross profit. This growth was driven by a number of significant land plot sales at Al Raha Beach and Reem Island and a pick-up in IFRS 15 "percentage-of-completion" revenue recognition on projects under development as progress was made at projects currently under construction.

ADJACENT BUSINESSES
Aldar Academies, our 100% owned schools business saw the opening of two new schools for the 2016-2017 academic year which will support revenue growth over the coming years, however, impacted short-term profitability as pre-operating expenses were absorbed.

Khidmah continued to see a steady growth in revenues supported by expansion of the business, following entry into the Saudi Arabia market and expansion of business in the UAE.

Pivot, our 65.2% owned subsidiary contracting business, saw a significant increase in revenue year-on-year driven by construction activity on several projects; however, a series of cost revisions to existing contracts resulted in a substantial loss being recognised for the year.

Operational achievements for the year 2016 were as follows:

- Aldar Academies opened two new schools, expanding student capacity by 3,600 to 8,700.
- Aldar Academies student enrolment up by 14% to 5,770 from 5,053 in previous academic year.
- Pivot won six major projects worth AED 2.0 billion.

CORPORATE
Selling, general and administrative expenses (excluding depreciation, impairments and amortisation) during 2016 were higher compared to the prior year mainly because of the increased selling and marketing expenses on new development launches and increased professional fees.

Other Income mainly represents income recognised upon handover of infrastructure assets to the government of Abu Dhabi.

CASH FLOWS
Total cash for the Group increases by AED 0.6 billion during the year.

The Group had net cash inflows of AED 2.1 billion from operating activities for the year ended 31 December 2016.

DEBT MANAGEMENT
During 2016, the Group continued to strengthen its balance sheet through the collection of receivables and further deleveraging. Gross debt stood at AED 5.6 billion as at 31 December 2016, down from AED 6.0 billion as at the end of 2015. This is in line with the debt policy whereby gross debt should be 35-40% of the value of our investment properties and operating businesses.

During the third quarter of 2016, Aldar successfully refinanced AED 1.8 billion in short-term loan facilities with new five-year, seven-year and 10-year bullet facilities with a number of key local and international banks.

This refinancing extended average debt maturities by 1.5 years, which as at 31 December 2016, stood at 3.5 years.

Greg Fewer
Chief Financial Officer
13 February 2017

HIS EXCELLENCY MR. ABUBAKER SEDDIQ AL KHOORI
CHAIRMAN

HE Al Khoori is the Chairman of Aldar Properties. Previously, he was the Managing Director of Sorouh Real Estate, and worked as the Assistant Director of the Abu Dhabi Investment Authority. HE Al Khoori has over 20 years of experience in the fields of finance and international investment and over eight years in the real estate sector. He is currently the Vice Chairman of both Waha Capital PJSC and Senaat. He is also a board member of Abu Dhabi Ports Company (ADPC) and Abu Dhabi Airports Company (ADAC). HE Al Khoori holds a degree in Finance from Linfield College in McMinnville, Oregon, USA, and is a certified Chartered Financial Analyst (CFA) and a member of AIMR.

MR. WALEED AHMED ALMOKARRAB AL MUHAIRI
VICE CHAIRMAN

Mr. Waleed Al Muhairi is Mubadala's Deputy Group CEO and he is also Chief Executive Officer, Emerging Sectors of Mubadala. Mr. Al Muhairi is currently the Chairman of the Board of Directors at National Central Cooling Company PJSC (Tabreed) & Cleveland Clinic Abu Dhabi and a Member of the Board of Directors at Abu Dhabi Future Energy Company PJSC (Masdar), Mubadala Petroleum LLC & Tamouh Investments.

As Mubadala's Deputy Group CEO, Mr. Al Muhairi oversees the company's broad investment portfolio and is responsible for its strategic, operational and business development activities. Mr. Al Muhairi is also Chief Executive Officer, Emerging Sectors, with oversight of Mubadala's healthcare, real estate and infrastructure, and capital investment portfolios, as well as the Enterprise Technology & Services unit.

Mr. Al Muhairi holds Masters from Harvard University in Public Policy with a concentration in Business and Government and Bachelors of Science in Foreign Service from Georgetown University, Washington D.C., USA.

HIS EXCELLENCY MR. ALI EID AL MHEIRI
BOARD MEMBER

HE Al Mheiri is the Executive Director of Mubadala Real Estate & Infrastructure, managing the company's interests in social and commercial real estate, hospitality and infrastructure projects that support Abu Dhabi's future growth and economic diversification. His responsibilities include: developing the company's land bank and investing locally and internationally in real estate, hospitality and infrastructure assets. He joined Mubadala in 2004 from the UAE Offsets Bureau.

HE Al Mheiri holds a Master's of Business Administration and a Bachelor's Degree in Accountancy from the American University, Washington D.C., USA.

MR. ALI SAEED ABDULLA SULAYEM AL FALASI
BOARD MEMBER

Mr. Al Falasi, has extensive experience in the real estate sector and has been Chief Executive Officer of Hydra Properties since 2009. He is also a member of the Board of Directors of Commercial Bank International PSC.

Mr. Al Falasi holds a Master's of Business Administration from the University of Sharjah, a Bachelor's of Science BSc in Production & Operation Management from California State University and a Bachelor's of Arts in Accounting from United Arab Emirates University.

MR. MANSOUR MOHAMED AL MULLA
BOARD MEMBER

Mr. Al Mulla is the Head of Finance for the Energy Platform in Mubadala Development Company. His prime responsibility, amongst others, is to advise, appraise and recommend to the Platform CEO on all financial matters pertaining to platform assets, which include investments in Oil and Gas (through Mubadala Petroleum LLC) and renewables.

Throughout his career with Mubadala, Mr. Al Mulla has played an instrumental role in negotiating and closing numerous award winning financing transactions. Additionally, Mr. Al Mulla has advised and supported a number of Mubadala related assets on raising standalone debt financing as well as other strategic initiatives.

In addition to his duties, Mr. Al Mulla also serves as a board member of Waha Capital PJSC and Anglo Arabian Healthcare FZ LLC. Mr. Al Mulla holds a Bachelor's of Science in Business Administration (Information Systems) from Portland State University, Portland, Oregon, USA.

MR. MOHAMED HAJI AL KHOORI
BOARD MEMBER

Mr. Al Khoori worked as a financial consultant and served as a senior executive within a number of organisations including until recently as Director General of the Khalifa Bin Zayed Al Nahyan Foundation as well as a number of important positions within the Public and Private Sector Court in Abu Dhabi.

Mr. Al Khoori is also on the board of a range of institutions in the UAE, including the Zayed Higher Organization for Humanitarian Care & Special Needs, International Capital Trading Company, Dalma Company, International Golden Group, Federal Electricity Authority and the Abu Dhabi Chess Club.

Mr. Al Khoori holds a Bachelor's degree in Economics from the California State University in San Bernardino, USA.

MR. AHMED KHALIFA MOHAMED AL MEHAIRI
BOARD MEMBER

Mr. Al Mehairi, with more than 10 years of experience, is a senior investment professional at the Direct Investments Department of the Abu Dhabi Investment Council (ADIC). Prior to joining ADIC in 2008, he worked at the Far East Department at Abu Dhabi Investment Authority (ADIA).

Mr. Al Mehairi is currently a Member of the Board of Directors at Etihad Airways, Abu Dhabi National Energy Company PJSC (Taqa), Massar Solutions PJSC and FOODCO Holding PJSC. Previously, he served as a Member of the Board of Directors at Sorouh Real Estate PJSC and Aseel Finance PJSC.

Mr. Al Mehairi holds a Bachelor's of Commerce degree in Finance from The John Molson School of Business, Concordia University, Montreal, Canada.

MR. MARTIN LEE EDELMAN
BOARD MEMBER

Mr. Edelman is Chairman of the Board of AGT International and is on the Board of Directors of Capital Trust, AMD, and Ashford Hospitality Trust. Mr. Edelman concentrates his practice on large complex international real estate developments, corporate mergers and acquisitions transactions.

He is an advisor to Grove Real Estate Partners, The Related Companies and Mubadala, the strategic investment arm of the government of Abu Dhabi. He is also on the boards of the Jackie Robinson Foundation, The Intrepid Fallen Heroes Fund, the Fisher House Foundation and Tribeca Film Institute and Festival.

Mr. Edelman holds a Bachelor Degree in Politics from Princeton University and in Law from Columbia University, USA.

MR. HAMAD AL AMERI
BOARD MEMBER

Mr. Al Ameri, brings to Aldar significant experience from the construction industry as well as in the fields of business growth and management.

Mr. Al Ameri joined the Aldar Properties Board of Directors in November 2015 adding to a portfolio of appointments which among others includes his role as Vice Chairman of the Board and Managing Director of Trojan Holding. In this role he leads the growth strategy of both the holding company and its subsidiaries, which has resulted in the Company expanding from a small base to a team of over 21,000 employees.

In addition to his role at Aldar and Trojan Holding, Mr. Al Ameri holds a number of Board positions and holds a degree in Civil Engineering as well as a Masters in Business Administration.

EXECUTIVE MANAGEMENT TEAM

HIS EXCELLENCY MR. MOHAMED KHALIFA AL MUBARAK
CHIEF EXECUTIVE OFFICER

HE Al Mubarak is Chief Executive Officer of Aldar Properties and, prior to that, he was Deputy Chief Executive and Chief Portfolio Management Officer at Aldar.

HE Al Mubarak has been integral to the development of Aldar's operational businesses as well as that of the fast-growing Sales & Leasing, Property & Asset Management and Facilities Management units within the organisation.

Prior to joining Aldar, he worked with the corporate and investment bank Barclays Capital in London, focusing on investment and finance in the MENA region.

HE Al Mubarak is the Chairman of the Abu Dhabi Tourism & Culture Authority as well as the Chairman of Farah Leisure (operator of Ferrari World Abu Dhabi and Yas Waterworld), Aldar Academies and Image Nation.

HE Al Mubarak is a graduate of Northeastern University, USA, with a double major in Economics and Political Science.

MR. GREG FEWER
CHIEF FINANCIAL OFFICER

Mr. Fewer is the Chief Financial Officer of Aldar Properties. Mr. Fewer is responsible for the overall financial leadership of Aldar including the oversight of Group financial strategy, financial reporting, and corporate finance.

Prior to his roles at Aldar, Mr. Fewer was Deputy Head of Structured Finance & Capital Markets at Mubadala where he was jointly responsible for Mubadala's overall debt raising activities and overseeing Mubadala's investment program in the commercial finance market.

He holds a BComm (Hons) from the University of Manitoba and an MBA from London Business School.

MR. TALAL AL DHIYEBI
CHIEF DEVELOPMENT OFFICER

Mr. Al Dhiyebi is the Chief Development Officer of Aldar Properties having previously held the position of Executive Director of Asset Management since the merger with Sorouh in 2013. He held a number of senior positions at Aldar and currently serves on the boards of several companies including Abu Dhabi Motorsports Management, Al Jazira Capital, Aldar Academies and Aldar Hotels & Hospitality.

Mr. Al Dhiyebi is a graduate of Electrical Engineering (Honours) from the University of Melbourne, Australia.

MR. JASSEM SALEH BUSAIBE
CHIEF ASSET MANAGEMENT OFFICER

Mr. Busaibe has over 15 years of experience in the fields of finance and investment, having held a number of high-profile roles at several private and public companies in Abu Dhabi and is now Aldar Properties Chief Asset Management Officer.

He was most recently the CFO of SENAAT and prior to that served as CEO of Arady Properties, an investment company focused on the private equity and real estate sectors in the GCC, and was formerly Senior Vice President of Private Equities at Invest AD – the Abu Dhabi Investment Company. Prior to that, he spent seven years at the Abu Dhabi Investment Authority (ADIA), where he worked as a Portfolio Manager focusing on European Equities.

Mr. Busaibe is a CFA Charter holder and holds a MSc in Finance from London Business School, UK.

MR. PAUL WARREN
CHIEF STRATEGY OFFICER

Mr. Warren is the Chief Strategy Officer for Aldar Properties and is responsible for providing senior strategic advice to the CEO and Board of Directors.

Mr. Warren has held senior roles in government, private equity and investment banking, including Assistant Secretary for Housing in Hong Kong, and six years at JPMorgan (USA) where he was Vice President of Investment Banking. He was also a founding partner of both Capital Z Investments (New York), a US$3.2 billion buyout fund dedicated to acquisitions in the financial services industry.

He has served on numerous boards for both public and private entities in the USA, UK and Argentina.

MR. FAHAD AL KETBI
CHIEF OPERATIONS OFFICER

Mr. Al Ketbi is Chief Operations Officer of Aldar Properties. Previously, Mr. Al Ketbi served as the Chief Commercial Officer at Sorouh Real Estate PJSC.

Prior to joining Sorouh, Mr. Al Ketbi was a commissioned officer in the UAE Military Forces, rising to the position of Colonel and Director of the Corps of Engineers.

Mr. Al Ketbi holds a Masters of Science from the National Defense University, Washington D.C., USA with a major in strategy and a Bachelor of Science in Civil Engineering from the University of Hartford, Connecticut, USA.

Board of Directors' Report

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Properties PJSC ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES
The principal activities of the Group continue to be the property development, investment and management of its real estate assets including offices, malls, hotels, schools, marinas and golf courses.

FINANCIAL RESULTS
The financial results of the Group have been presented on page 72 of these consolidated financial statements.

FINANCIAL STATEMENTS
The Directors reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2016.

DIRECTORS
The members of the Board of Directors as of 31 December 2016 are:

H.E Abubaker Seddiq Al Khoori	Chairman
H.E Waleed Ahmed Al Mokarrab Al Muhairi	Vice Chairman
H.E Ali Eid Ali Muheri	Director
Mr. Ali Saeed Abdulla Sulayem Al Falasi	Director
Mr. Mansour Mohamed Al Mulla	Director
Mr. Ahmed Khalifa Mohamed Al Mehairi	Director
Mr. Mohammed Haji Al Khoori	Director
Mr. Martin Lee Edelman	Director
Eng. Hamad Salem Al Ameri	Director

RELEASE
The Directors release from liability the external auditor and management in connection with their duties for the year ended 31 December 2016.

On behalf of the Board of Directors

Abubaker Seddiq Al Khoori
Chairman
13 February 2017

Independent Auditors' Report
To the Shareholders of Aldar Properties PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Aldar Properties PJSC (the "Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

(a) Recognition of Revenue on Property Development and Sales

Revenue recognition on property development and sales involves significant judgements and use of estimates. The Group assesses for each of its contracts with customers, whether to recognise revenue over time or at a point in time based on a consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right to payment for performance completed at any time during the life of the contract (see Note 3.7 and 4 to the consolidated financial statements).

Where revenue is recognized over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognizes proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period.

Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations, estimation of total cost of project completion and judgements made in assessing the timing of revenue recognition.

We reviewed a sample of contracts with customers for property development and sale and assessed the management identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time. We assessed the satisfaction of performance obligations and where appropriate we corroborated it with external available evidence.

We examined approved project cost budgets for significant on-going real estate developments and reviewed the projects' completion percentages in light of costs incurred and also reviewed invoices, on a sample basis, to substantiate the costs incurred. For significant projects, we recalculated the amount of revenue to be recognized.

We inspected the contracts and governance around approval of project budgets and held discussions with management where significant variances against the approved budgets were noted.

(b) Valuation of Investment Properties

The valuation of investment properties is a key audit matter given the degree of complexity involved in valuation and the significance of the judgements and estimates made by management. The property valuations were carried out by external valuers (the "Valuers"). In determining a property's valuation the Valuers take into account property-specific information such as the current tenancy agreements and rental income and apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the valuation (see Note 4 and 7 to the consolidated financial statements).

Independent Auditors' Report continued
To the Shareholders of Aldar Properties PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

KEY AUDIT MATTERS CONTINUED

(b) Valuation of Investment Properties continued

We read the valuation reports for properties and assessed that the valuation approach for each was in accordance with the established standards for valuation of properties and suitable for use in determining the carrying value for the purpose of the consolidated financial statements.

We assessed the Valuers' independence, qualification and expertise and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

We involved our internal valuation specialists in reviewing the valuation of a sample of properties. The review included discussions with management, consideration of overall reasonableness of the assumptions and assessment of movement in valuations against our expectations. Where the assumptions were outside expected ranges or otherwise unusual, we obtained further audit evidence to support the explanations provided by management.

We compared the investment yields used by the Valuers to an estimated range of expected yields, assessed via reference to published benchmarks and research reports. Moreover, we analysed assumptions such as estimated rental values, service charges and occupancy levels against historical trends, published benchmarks or recent transactions. For break options, we inquired from management their assessment, based on correspondence with the tenants, whether these options would be exercised and corroborated management assessment with assumptions used by Valuers in valuation reports. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the management.

(c) Impairment Assessment of Hotel Properties Classified Under Property, Plant and Equipment

Hotel properties classified under property, plant and equipment had a carrying amount of AED 2,193.8 million as at 31 December 2016. The Group undertakes a review of indicators of impairment and wherever indicators of impairment exist, an impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration (see Note 4 and 5 to the consolidated financial statements).

The estimation of recoverable amounts of Hotel properties was assessed as a key audit matter due to the degree of complexity involved in valuation and the significance of the judgements and estimates made by the management.

We assessed the qualifications and expertise of independent third party Valuers and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

We involved our internal valuation specialists in reviewing the valuation of Hotel properties. The review included discussions with management, consideration of overall reasonableness of the assumptions and assessment of movement in valuations against our expectations. Where the assumptions were outside expected range or otherwise unusual, we obtained further audit evidence to support the explanations provided by management.

We compared the investment yields used by the Valuers to an estimated range of expected yields, assessed via reference to published benchmarks and research reports. Moreover, we analysed assumptions such as average daily rate and occupancy levels against historical trends or published benchmarks. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the management.

(d) Impairment Assessment of Trade Receivables

As at 31 December 2016, gross trade receivables and provision for impairment of trade receivables amounted to AED 1,414.6 million and AED 327.5 million respectively, out of which, AED 527.5 million and AED 178.8 million related to receivables against sale of plots. The Group has developed various models for assessment of provision for impairment against plot sales receivables, which takes into account credit worthiness of the customer, the fair value of the underlying plots, any expected future costs to bring the plots to saleable condition and expected outcome in case of recovery through legal proceedings (see Note 4 and 10.1 to the consolidated financial statements).

Assessment of provision for impairment against plot sales receivables involves following significant judgment and estimation:

- The fair value of underlying asset sold, particularly, where no active market exist for such asset;
- Expected future costs to bring the plots in saleable condition;
- Expected outcome in case of recovery through legal proceeding including assessment of expected legal costs.

We reviewed the models prepared by management and checked the calculation for provision for impairment against plot sales receivables. We assessed the credit worthiness of major customers by reviewing their latest financial position. Moreover, we evaluated management assumption of fair value of the underlying asset by comparing it with sale price used in recent comparable transactions. In case of recovery through legal proceedings, we obtained explanations from legal counsel to corroborate management assessment of expected outcome and expected legal cost.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2016 ANNUAL REPORT

Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report continued
To the Shareholders of Aldar Properties PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Memorandum and Articles of Association of the Company;
iii) the Group has maintained proper books of account;
iv) the consolidated financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;
v) investments in shares and stocks are included in note 8 and 9 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2016;
vi) note 31 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2016, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2016; and
viii) note 36 reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No: 687

13 February 2017
Abu Dhabi

Consolidated Statement of Financial Position
At 31 December 2016

	Notes	2016 AED'000	2015 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,986,073**	2,935,603
Intangible assets	6	**3,967**	4,630
Investment properties	7	**15,773,282**	15,570,304
Investment in associates and joint ventures	8	**964,408**	937,442
Available-for-sale financial assets	9	**126,448**	122,973
Trade and other receivables	10	**726,974**	596,751
Total non-current assets		**20,581,152**	20,167,703
Current assets			
Land held for sale		**2,228,191**	1,700,520
Development work in progress	11	**1,298,384**	2,744,976
Inventories	12	**220,645**	329,406
Trade and other receivables	10	**4,536,385**	4,938,317
Cash and bank balances	13	**6,696,340**	6,259,754
Total current assets		**14,979,945**	15,972,973
TOTAL ASSETS		**35,561,097**	36,140,676
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**7,862,630**	7,862,630
Statutory reserve	15	**3,931,315**	3,931,315
Hedging reserve		**(19,136)**	(25,908)
Fair value reserve		**38,171**	29,283
Retained earnings		**10,069,933**	8,202,469
Equity attributable to the owners of the Company		**21,882,913**	19,999,789
Non-controlling interests		**203,181**	287,939
Total equity		**22,086,094**	20,287,728
Non-current liabilities			
Non-convertible sukuk	16	**2,749,189**	2,745,405
Bank borrowings	17	**2,168,792**	2,790,080
Retentions payable		**165,234**	150,462
Provision for employees' end of service benefit	18	**128,137**	115,875
Other financial liabilities		**15,081**	20,424
Total non-current liabilities		**5,226,433**	5,822,246
Current liabilities			
Non-convertible sukuk	16	**9,983**	9,983
Bank borrowings	17	**636,268**	401,344
Retentions payable		**397,525**	484,675
Advances from customers	19	**424,642**	842,825
Trade and other payables	20	**6,780,152**	8,291,875
Total current liabilities		**8,248,570**	10,030,702
Total liabilities		**13,475,003**	15,852,948
TOTAL EQUITY AND LIABILITIES		**35,561,097**	36,140,676

Abubaker Seddiq Al Khoori
Chairman

Mohammed Khalifa Al Mubarak
Chief Executive Officer

Greg Fewer
Chief Financial Officer

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Income Statement
For the year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000
Revenue	21	**6,237,496**	4,585,540
Direct costs	22	**(3,598,243)**	(2,379,616)
GROSS PROFIT		**2,639,253**	2,205,924
Selling and marketing expenses	23	**(61,418)**	(61,266)
General and administrative expenses			
Staff costs	24	**(233,329)**	(229,509)
Depreciation and amortisation		**(199,050)**	(209,950)
Provisions, impairments and write downs – net	25	**(27,622)**	(289,134)
Other		**(109,856)**	(89,888)
Share of profit from associates and joint ventures	8	**66,636**	161,323
Gain on disposal of investment properties		**14,409**	32,376
Fair value (loss)/gain on investment properties	7	**(169,680)**	487,011
Finance income	26	**119,972**	98,474
Finance costs	27	**(241,189)**	(239,661)
Other income	28	**954,280**	694,167
PROFIT FOR THE YEAR		**2,752,406**	2,559,867
Attributable to:			
Owners of the Company		**2,782,364**	2,536,794
Non-controlling interests		**(29,958)**	23,073
		2,752,406	2,559,867
Basic and diluted earnings per share attributable to owners of the Company in AED	29	**0.354**	0.323

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016 AED'000	2015 AED'000
Profit for the year	**2,752,406**	2,559,867
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Gain on revaluation of available-for-sale financial assets	**8,888**	9,270
Changes in fair value of cash flow hedges	**6,772**	17,603
Other comprehensive income	**15,660**	26,873
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,768,066**	2,586,740
Total comprehensive income attributable to:		
Owners of the Company	**2,798,024**	2,563,667
Non-controlling interests	**(29,958)**	23,073
	2,768,066	2,586,740

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Notes	Share capital AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2015		7,862,630	3,931,315	(43,511)	20,013	6,359,667	18,130,114	297,510	18,427,624
Profit for the year		–	–	–	–	2,536,794	2,536,794	23,073	2,559,867
Other comprehensive income		–	–	17,603	9,270	–	26,873	–	26,873
Acquisition of minority interest	3.3	–	–	–	–	13,644	13,644	(28,644)	(15,000)
Dividends paid for the year 2014		–	–	–	–	(707,636)	(707,636)	(4,000)	(711,636)
Balance at 31 December 2015		7,862,630	3,931,315	(25,908)	29,283	8,202,469	19,999,789	287,939	20,287,728
Balance at 31 December 2015		7,862,630	3,931,315	(25,908)	29,283	8,202,469	19,999,789	287,939	20,287,728
Effect of change in accounting policy	2.1	–	–	–	–	(128,637)	(128,637)	–	(128,637)
Balance at 1 January 2016		7,862,630	3,931,315	(25,908)	29,283	8,073,832	19,871,152	287,939	20,159,091
Profit for the year		–	–	–	–	2,782,364	2,782,364	(29,958)	2,752,406
Other comprehensive income		–	–	6,772	8,888	–	15,660	–	15,660
Dividends paid for the year 2015	30	–	–	–	–	(786,263)	(786,263)	(54,800)	(841,063)
Balance at 31 December 2016		**7,862,630**	**3,931,315**	**(19,136)**	**38,171**	**10,069,933**	**21,882,913**	**203,181**	**22,086,094**

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	2016 AED'000	2015 AED'000
Cash flows from operating activities		
Profit for the year	**2,752,406**	2,559,867
Adjustments for:		
Depreciation and amortisation	**211,221**	220,707
Finance income	**(119,972)**	(98,474)
Dividend income	**(1,200)**	(1,000)
Finance costs	**221,341**	219,798
Amortisation of prepaid finance costs	**19,848**	19,863
Fair value loss/(gain) on investment properties – net	**169,680**	(487,011)
Share of profit from associates and joint ventures	**(66,636)**	(161,323)
Release of provision for onerous contracts	**(24,142)**	(19,555)
Impairments/write-offs on projects	**–**	79,510
Provisions, impairments and write downs – net	**(336,771)**	(438,613)
Accruals for recoverable claims	**(37,318)**	–
Impairment on property, plant and equipment and intangible assets – net	**33,583**	139,555
Reversal of impairment of investment in an associate	**–**	(8,604)
Loss/(gain) on disposal of property, plant and equipment	**480**	(11,220)
Gain on disposal of investment properties	**(14,409)**	(32,376)
Provision for employees' end of service benefit – net	**20,511**	22,954
Operating cash flows before changes in working capital	**2,828,622**	2,004,078
Changes in working capital:		
Decrease in trade and other receivables	**633,261**	4,196,630
Decrease/(increase) in development work in progress	**247,920**	(311,021)
(Increase)/decrease in inventories	**(418,907)**	98,953
Decrease in retentions payable	**(72,381)**	(344,784)
Decrease in advances and security deposits from customers	**(402,429)**	(555,567)
(Decrease)/increase in trade and other payables	**(699,472)**	954,982
Cash generated from operating activities	**2,116,614**	6,043,271
Employees' end of service benefits paid	**(8,249)**	(8,998)
Net cash generated from operating activities	**2,108,365**	6,034,273

Consolidated Statement of Cash Flows continued
For the year ended 31 December 2016

	2016 AED'000	2015 AED'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(260,658)**	(94,420)
Proceeds from disposal of property, plant and equipment	**–**	11,220
Purchase of intangible assets	**(2,768)**	(3,108)
Additions to investment properties	**(96,182)**	(373,672)
Payment for additional stake in a subsidiary	**–**	(15,000)
Purchase of available-for-sale financial assets	**–**	(5,696)
Capital call contributions made for available for sale financial	**(1,067)**	–
Capital repayments received for available for sale financial	**6,481**	–
Proceeds from disposal of investment properties	**49,003**	43,129
Finance income received	**78,248**	43,080
Dividends received	**48,238**	161,400
Movement in term deposits with original maturities above three months	**439,784**	(3,033,165)
Movement in restricted bank balances	**(969,003)**	(84,048)
Net cash used in investing activities	**(707,924)**	(3,350,280)
Cash flows from financing activities		
Repayment of operating lease liability	**(20,704)**	(20,190)
Financing raised	**5,000**	–
Repayment of borrowings	**(394,005)**	(3,229,550)
Finance costs paid	**(211,135)**	(236,697)
Dividends paid	**(843,048)**	(688,400)
Directors' remuneration paid	**(29,183)**	(30,976)
Net cash used in financing activities	**(1,493,075)**	(4,205,813)
Net decrease in cash and cash equivalents	**(92,634)**	(1,521,820)
Cash and cash equivalents at the beginning of the year	**1,604,167**	3,125,987
Cash and cash equivalents at the end of the year (Note 13)	**1,511,533**	1,604,167

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

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 2016. The Group has opted for the early adoption of IFRS 16 'Leases' resulting in a change in the policy of the Group in relation to its lease contracts as lessee. 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 16, 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 16 Leases
IFRS 16 'Leases' was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019, with early adoption permitted.

IFRS 16 introduces a single *lessee* accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 'Statement of Cash Flows'.

IFRS 16 substantially carries forward the *lessor* accounting requirements of the superseded IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the impact of IFRS 16 on all its contracts that are, or that contain leases and has elected to early adopt IFRS 16, with effect from 1 January 2016. The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the period from 1 January 2016 to 31 December 2016 only (i.e. the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 16 on all contracts as at 1 January 2016 in equity.

The details of adjustments to opening retained earnings and other account balances as at 1 January 2016 is detailed below.

Consolidated statement of financial position

	31 December 2015 AED'000	Adjustments AED'000	**1 January 2016 AED'000**
Assets			
Investment properties (note 7)	15,570,304	331,434	**15,901,738**
Liabilities			
Trade and other payables	8,291,875	460,071	**8,751,946**
Equity			
Retained earnings	8,202,469	(128,637)	**8,073,832**

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

2.1 STANDARDS ISSUED AND ADOPTED CONTINUED

Consolidated statement of income statement

	As per IFRS 16 AED'000	As per old policy AED'000	Impact due to change AED'000
Direct costs for the year ended 31 December 2016	**(3,598,243)**	**(3,656,833)**	**58,590**
Fair value loss for the year ended 31 December 2016	**(169,680)**	**(130,270)**	**(39,410)**
Finance cost for the year ended 31 December 2016 (note 27)	**(241,189)**	**(221,972)**	**(19,217)**
Profit for the period ended 31 December 2016	**2,752,406**	**2,752,433**	**(27)**

Modified retrospective application of IFRS 16 also requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded IAS 17 measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The Group has used a 4.5% weighted average incremental borrowing rate for determination of present value of the remaining lease payments. The right-of-use assets have been recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Based on the allowed practical expedients under IFRS 16, the Group has elected not to apply the requirements of IFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of initial application.

IFRS 11: Joint Arrangements (Amendment) require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. This amendment does not have any impact on the Group's consolidated financial statements.

IFRS 14: Regulatory Deferral Accounts is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation. Since the Group is an existing IFRS preparer, these amendments do not have any impact on the Group's consolidated financial statements.

IAS 16 and IAS 38: Property, Plant and Equipment and Intangible Assets (Amendment) clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. This amendment does not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. The improvements did not impact the consolidated financial statements of the Group. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment does not impact the consolidated financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures do not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment does not impact the consolidated financial statements of the Group.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment does not impact the consolidated financial statements of the Group.

IAS 19 Employee Benefits amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment does not impact the consolidated financial statements of the Group.

IAS 34 Interim Financial Reporting amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. The amendment does not impact the consolidated financial statements of the Group.

Amendments to IAS 1 Disclosure Initiative amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not impact the consolidated financial statements of the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments do not impact the consolidated financial statements of the Group.

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.

Standards, interpretation and amendments	**Effective for annual periods beginning on or after**
IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018
Amendments to IFRS 40: Transfers of Investment Property	1 January 2018
IAS 7 Disclosure Initiative – Amendments to IAS 7	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements 2014-2016 Cycle	
• IFRS 1 First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first time adopters	1 January 2018
• IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12	1 January 2017
• IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018

Management anticipates that the adoption of standards issued but not yet effective will have no material impact on the consolidated financial statements of the Group.

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 Company is compliant with the new law.

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.

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 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
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)[i]	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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 are 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.

3.7 REVENUE RECOGNITION

The Group had elected to early adopt IFRS 15 with effect from 1 January 2015.

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 as 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.7 REVENUE RECOGNITION CONTINUED

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 LEASES

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group as a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies.

For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

a) is within the control of the Group; and
b) affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a lease liability under the lease contract.

Lease liability

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

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group use a revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modifications that are not accounted for as a separate, lease the Group, at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Right-of-use assets
The right-of-use asset is initially recognised at cost comprising of:

a) amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the Group; and
d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are recognised as part of the cost of right-of-use asset when the Group incurs an obligation for these costs. The obligation for these costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After initial recognition, the Group applies fair value model to right-of-use assets that meet the definition of investment property.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment 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.

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

	Years
Buildings	20 – 30
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.

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 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.

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, or 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 of 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:

Discount rate used for initial measurement of lease liability

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

Classification of properties

In the process of classifying properties, management has made various 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.

Transfer of control in contracts with customers

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

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 2016, 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	9-15
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 when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration. The fair value of hotel properties classified under property, plant and equipment is determined by an independent real estate valuation expert using Discounted Cash Flow method.

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of 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 Available-for-sale (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 it's 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).

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
Cost									
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
Transfer to investment properties (Note 7)	–	–	–	–	–	–	–	(1,642)	(1,642)
Disposals	–	(278,569)	(8,642)	(3,784)	–	–	–	–	(290,995)
1 January 2016	5,973,482	1,654,047	617,351	73,998	100,467	5,856	13,659	22,231	8,461,091
Additions[i]	167,608	–	65,440	9,500	29,019	126	2,614	(13,649)	260,658
Transfers	6,554	–	–	(6,554)	–	–	–	–	–
Transfers from development works in progress (Note 11)	–	–	11,301	–	–	–	–	–	11,301
Transfers from/(to) investment properties (Note 7)	(2,922)	–	–	–	–	–	–	23,286	20,364
Disposals	–	–	(11,648)	–	–	–	–	–	(11,648)
31 December 2016	**6,144,722**	**1,654,047**	**682,444**	**76,944**	**129,486**	**5,982**	**16,273**	**31,868**	**8,741,766**
Accumulated depreciation and impairment									
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
Transfers – net	–	(278,569)	(8,642)	(3,784)	–	–	–	–	(290,995)
1 January 2016	3,201,754	1,638,038	525,899	56,150	87,311	4,486	11,850	–	5,525,488
Charge for the year	133,445	15,099	40,739	7,010	10,304	852	341	–	207,790
Impairment (Note 25)	33,583	–	–	–	–	–	–	–	33,583
Disposals	–	–	(11,168)	–	–	–	–	–	(11,168)
31 December 2016	**3,368,782**	**1,653,137**	**555,470**	**63,160**	**97,615**	**5,338**	**12,191**	**–**	**5,755,693**
Carrying amount									
31 December 2016	**2,775,940**	**910**	**126,974**	**13,784**	**31,871**	**644**	**4,082**	**31,868**	**2,986,073**
31 December 2015	2,771,728	16,009	91,452	17,848	13,156	1,370	1,809	22,231	2,935,603

(i) Additions for the year include finance costs capitalised amounting to AED 2.362 million (2015: Nil) (Note 27) related to development of a new school.

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:

	2016 AED'000	2015 AED'000
Cost of sales	**12,171**	10,757
General and administrative expenses	**195,619**	206,729
	207,790	217,486

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 33.6 million (2015: Impairment of AED 139.6 million) (Note 25), which has been recorded in the consolidated income statement. The recoverable amount of relevant assets has been determined by reference to the discounted cash flow method using a yield of 7.75% to 10% (2015:8% to 9.75%) and a discount rate of 10.75% to 13.0% (2015: 11% to 12.75%).

The Company conducted a sensitivity analysis for all its Hotel Properties classified under property, plant and equipment. The valuation technique used for these assets is Discounted Cash Flow Method. The sensitivity is conducted on the Revenue Per Available Room (RevPAR) and Discount rate & Exit Yield.

SENSITIVITY TO SIGNIFICANT CHANGES IN UNOBSERVABLE INPUTS

- A decrease in the Discount Rate & Exit Yield by 50bps would result in a AED 150 million or 6.8% increase in the valuation, whilst an increase in the Discount Rate & Exit Yield by 50bps would result in AED 132 million or 6% decrease in the valuation.
- An increase in the RevPAR by 10% would result in a AED 418 million or 19% increase in the valuation, whilst a decrease in the RevPAR by 10% would result in AED 408 million or 18.5% decrease in the valuation.

6 INTANGIBLE ASSETS

	Computer software AED'000
Cost	
1 January 2015	72,526
Additions	3,108
Write-off	(429)
1 January 2016	75,205
Additions	2,768
31 December 2016	**77,973**
Accumulated amortisation	
1 January 2015	67,783
Charge for the year	3,221
Write-off	(429)
1 January 2016	70,575
Charge for the year	3,431
31 December 2016	**74,006**
Carrying amount	
31 December 2016	**3,967**
31 December 2015	4,630

7 INVESTMENT PROPERTIES

Investment properties comprise completed properties (buildings and retail centres) and properties under development. The movement during the year is as follows:

	2016			2015		
	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	**14,782,835**	**787,469**	**15,570,304**	13,051,800	1,349,406	14,401,206
Effect of change in accounting policy (note 2.1)(i)	**331,434**	**–**	**331,434**	–	–	–
	15,114,269	**787,469**	**15,901,738**	13,051,800	1,349,406	14,401,206
Development costs incurred during the year	**908**	**95,274**	**96,182**	1,295	42,376	43,671
Finance cost capitalised (Note 27)	**–**	**–**	**–**	–	285	285
Increase/(decrease) in fair value – net	**(169,680)**	**–**	**(169,680)**	1,091,609	(604,598)	487,011
Disposals	**(34,594)**	**–**	**(34,594)**	(32,832)	–	(32,832)
Additions	**–**	**–**	**–**	330,000	–	330,000
Transfers from/(to):						
Property, plant and equipment (Note 5)	**18,471**	**(38,835)**	**(20,364)**	1,642	–	1,642
Inventories	**–**	**–**	**–**	339,321	–	339,321
Balance at the end of the year	**14,929,374**	**843,908**	**15,773,282**	14,782,835	787,469	15,570,304

(i) These represent right-to-use assets amounting to AED 331.4 million recorded under the fair value model.

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 2016; management believes that there has been no significant change to the investment properties' fair values from 31 October 2016 to 31 December 2016. 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 11.8 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 681 million or 5.7% increase in the valuation, whilst an increase in the Capitalisation/Discount Rate by 50bps would result in AED 736 million or 6.2% decrease in the valuation.
- An increase in the rental rates by 10% would result in a AED 1,043 million or 8.8% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,080 million or 9.1% 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 2016 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	**Share in underlying net assets at 31 December 2016 AED'000**
Investee Associates									
Al Fayafi Al Khadra Company LLC	40%	40%	Abu Dhabi	800	–	–	–	–	**800**
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	141,642	7,694	–	(4,800)	–	**144,536**
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	100,842	–	–	(37,238)	–	**63,604**
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	–	–	–	–	–	**–**
Bunya LLC	33%	33%	Abu Dhabi	–	–	–	–	–	**–**
Iskandar Holdings Ltd	19%	19%	Cayman Islands	6,861	–	–	–	–	**6,861**
				250,145	7,694	–	(42,038)	–	**215,801**
Joint ventures									
Aldar Besix LLC	51%	50%	Abu Dhabi	16,085	80	–	–	–	**16,165**
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	444,534	48,529	1,431	–	–	**494,494**
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	21,914	6,318	–	(5,000)	–	**23,232**
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	91,573	3,606	–	–	–	**95,179**
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	108,858	9,195	–	–	–	**118,053**
Royal House	50%	50%	Abu Dhabi	–	(5,937)	–	–	5,937	**–**
S&T District Cooling Co. LLC	50%	50%	Abu Dhabi	49	–	–	–	–	**49**
Galaxy Building Materials	45%	50%	Abu Dhabi	4,284	(2,849)	–	–	–	**1,435**
				687,297	58,942	1,431	(5,000)	5,937	**748,607**
				937,442	66,636	1,431	(47,038)	5,937	**964,408**

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

	2016 AED'000	2015 AED'000
Total assets	**1,718,205**	2,589,513
Total liabilities	**(1,256,161)**	(1,764,402)
Net assets	**462,044**	825,111
Group's share of net assets of associates	**215,801**	250,145
Total revenue	**70,570**	447,912
Total profit for the year	**24,031**	92,277

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

	2016 AED'000	2015 AED'000
Total assets	**2,950,959**	2,976,562
Total liabilities	**(1,708,190)**	(1,872,186)
Net assets	**1,242,769**	1,104,376
Group's share of net assets of joint ventures	**748,607**	687,297
Total revenue	**338,897**	337,020
Total profit for the year	**121,456**	124,356

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 AED'000	2015 AED'000
Investment in UAE quoted securities	**29,580**	30,600
Investment in UAE unquoted securities	**35,201**	35,201
Investment in international unquoted securities	**61,667**	57,172
	126,448	122,973

Movement during the year is as follows:

	2016 AED'000	2015 AED'000
Balance at the beginning of the year	**122,973**	108,007
Additions	**1,068**	10,397
Fair value gain during the year – net	**8,888**	9,270
Repayment of capital	**(6,481)**	(4,701)
Balance at the end of the year	**126,448**	122,973

During the year, dividend income received amounted to AED 1.2 million (31 December 2015: AED 1 million).

10 TRADE AND OTHER RECEIVABLES

	2016 AED'000	2015 AED'000
Non-current portion		
Receivable from project finance (Note 10.3)	**150,581**	157,382
Receivable from the Government of Abu Dhabi (Note 10.4)	**474,999**	331,744
Due from associates and joint ventures (Notes 10.5)	**89,114**	93,625
Other	**12,280**	14,000
	726,974	596,751
Current portion		
Trade receivables (Note 10.1)	**1,414,592**	2,001,751
Less: provision for impairment and cancellations	**(327,556)**	(537,826)
	1,087,036	1,463,925
Refundable costs (Note 10.2)	**301,395**	315,744
Receivable from project finance (Note 10.3)	**17,401**	20,148
Receivable from the Government of Abu Dhabi (Note 10.4)	**815,039**	790,223
Due from associates and joint ventures (Note 10.5)	**236,485**	256,747
Gross amount due from customers on contracts for sale of properties (Note 10.6)	**152,194**	111,408
Gross amount due from customers on contracts to construct an asset (Note 10.7)	**129,885**	188,642
Advances and prepayments	**1,428,960**	1,335,661
Accrued interest	**37,493**	25,679
Other	**330,497**	430,140
	4,536,385	4,938,317

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, 28% of the trade receivables (2015: 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.

	2016 AED'000	2015 AED'000
Ageing of trade receivables		
Not past due	**490,055**	424,729
Past due but not impaired (more than 180 days)	**596,981**	1,039,196
Past due and impaired (more than 180 days)	**327,556**	537,826
Total trade receivables	**1,414,592**	2,001,751

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

	2016 AED'000	2015 AED'000
Balance at the beginning of the year	**537,826**	560,139
(Reversal)/Impairment recognised during the year (Note 25)	**(26,280)**	15,302
Released upon cancellation of sales	**(183,990)**	(37,615)
Balance at the end of the year	**327,556**	537,826

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.

10.3 RECEIVABLE FROM PROJECT FINANCE

	Minimum payments		Present value of minimum payments	
	2016 AED'000	2015 AED'000	**2016 AED'000**	2015 AED'000
Current receivables				
Within one year	**24,390**	25,439	**17,401**	20,148
Non-current receivables				
In the second to fifth year	**76,068**	79,773	**45,805**	51,561
After five years	**261,759**	286,672	**104,776**	105,821
	337,827	366,445	**150,581**	157,382
Amounts receivable from project finance	**362,217**	384,857	**167,982**	177,530
Less: unearned finance income	**(194,235)**	(207,327)	**–**	–
Present value of minimum payments receivable	**167,982**	177,530	**167,982**	177,530

10.4 RECEIVABLE FROM THE GOVERNMENT OF ABU DHABI

Receivable from the Government of Abu Dhabi represents the amount receivable against assets sold and land plots handed over.

10 TRADE AND OTHER RECEIVABLES CONTINUED

10.5 DUE FROM ASSOCIATES AND JOINT VENTURES

	Non-current		Current	
	2016 AED'000	2015 AED'000	**2016 AED'000**	2015 AED'000
Gross receivables	**171,712**	168,670	**287,615**	272,878
Less: provision for impairment	**(82,598)**	(75,045)	**(51,130)**	(16,131)
	89,114	93,625	**236,485**	256,747

10.6 CONTRACTS WITH CUSTOMERS FOR SALE OF PROPERTIES

	2016 AED'000	2015 AED'000
Amount due from customers included in trade and other receivables (Note 10)	**152,194**	111,408
Amount due to customers included in trade and other payables (Note 20)	**(556,489)**	(653,562)
	(404,295)	(542,154)
Total contracts cost incurred plus recognised profits less recognised losses to date	**1,474,393**	588,375
Less: total progress billings to date	**(1,878,688)**	(1,130,529)
	(404,295)	(542,154)

The above represents deferred revenue arising from sale of land and units. With respect to the above contracts, revenue aggregating to AED 4,041 million is expected to be recognised over the term of these contracts.

10.7 CONTRACTS WITH CUSTOMERS FOR CONSTRUCTION

	2016 AED'000	2015 AED'000
Amount due from customers included in trade and other receivables (Note 10)	**129,885**	188,642
Amount due to customers included in trade and other payables (Note 20)	**(70,238)**	(47,554)
	59,647	141,088
Total contracts cost incurred plus recognised profits less recognised losses to date	**5,673,578**	5,591,610
Less: total progress billings to date	**(5,613,931)**	(5,450,522)
	59,647	141,088

The above represents unbilled revenue arising from construction contracts. With respect to the above contracts, revenue aggregating to AED 1,068 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:

	2016 AED'000	2015 AED'000
Balance at beginning of the year	**2,744,976**	2,870,995
Development costs incurred during the year	**608,220**	311,021
Recognised in costs of properties sold	**(856,141)**	(427,475)
Transfers from advances (Note 20)[i]	**(1,187,370)**	–
Transfer to property, plant and equipment (Note 5)	**(11,301)**	–
Impairments/write-offs of project costs (Note 25)	**–**	(9,565)
Balance at the end of the year	**1,298,384**	2,744,976

(i) These advances represent amounts received for the development of infrastructure on a certain master planned community development and have been offset with development work in progress based on the conclusion of a similar transaction.

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

12 INVENTORIES

	2016 AED'000	2015 AED'000
Completed properties	**163,415**	276,532
Other operating inventories	**57,230**	52,874
	220,645	329,406

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

13 CASH AND CASH EQUIVALENTS

	2016 AED'000	2015 AED'000
Cash and bank balances	**2,046,292**	1,427,268
Short term deposits held with banks	**4,650,048**	4,832,486
Cash and bank balances	**6,696,340**	6,259,754
Short term deposits with original maturities greater than three months	**(3,215,160)**	(3,654,944)
Restricted bank balances	**(1,969,647)**	(1,000,643)
Cash and cash equivalents	**1,511,533**	1,604,167

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 384 million (2015: AED 472 million) is not included in the Group's bank balances and cash as it is held by the Group on behalf of third parties. Included are balances amounting to AED 684.4 million from customers against sale of development properties which are deposited into escrow accounts.

The interest rate on term deposits ranges between 0.75 % and 2.40% (2015: 0.1875% and 2.65%) 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 (2015: 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.

16 NON-CONVERTIBLE SUKUK

	2016 AED'000	2015 AED'000
Proceeds from issue	**2,755,125**	2,755,125
Gross issue costs	**(18,239)**	(18,033)
Less: amortisation of issue costs	**12,303**	8,313
Unamortised issue costs	**(5,936)**	(9,720)
Add: Accrued profit	**9,983**	9,983
Carrying amount	**2,759,172**	2,755,388
Less: current portion	**(9,983)**	(9,983)
Non-current portion	**2,749,189**	2,745,405
Total finance cost capitalised during the year	**1,136**	124

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							
	Current AED'000	**Non-current AED'000**	**Total AED'000**	**Security**	**Interest rate**	**Maturity**	**Purpose**	**Capitalised interest AED'000**
31 December 2016								
Government loan	**163,009**	**–**	**163,009**	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	**115**
Term loan	**–**	**600,000**	**600,000**	Secured	relevant EIBOR + 1.325%	July 2019	Refinancing of debt	**246**
Term loan	**–**	**160,000**	**160,000**	Secured	relevant EIBOR + 1.40%	June 2019	Refinancing of debt	**66**
Term loan	**152,083**	**807,389**	**959,472**	Secured	3 months LIBOR + 1.40%	November 2018	General corporate purpose	**394**
Ijarah facility	**–**	**280,000**	**280,000**	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose	**115**
Term l	**–**	**5,000**	**5,000**	Secured	EIBOR + 1.80%	August 2023	General corporate purpose	**–**
Lease facility	**–**	**80,000**	**80,000**	Secured	relevant EIBOR + 1.40%	December 2019	General corporate purpose	**33**
Term loan	**312,500**	**–**	**312,500**	Secured	3 months EIBOR + 1%	December 2017	General corporate purpose	**257**
Unamortised borrowing cost	**–**	**(43,597)**	**(43,597)**					**–**
Accrual for interests and profits	**8,676**	**–**	**8,676**					**–**
	636,268	**2,168,792**	**2,805,060**					**1,226**
31 December 2015								
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
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					–
	401,344	2,790,080	3,191,424					161

The borrowings are repayable as follows:

	2016 AED'000	2015 AED'000
Current	**636,268**	401,344
Non-current	**2,168,792**	2,790,080
	2,805,060	3,191,424

In November 2013, the Group signed a term loan facility for AED 1.25 billion repayable in four equal instalments commencing 15 December 2014. This loan is secured by assignment of Government receivables. The balance as of 31 December 2016 was AED 312.5 million.

In November 2013, the Group signed a term loan facility for USD 750 million (AED 2.75 billion) of which USD 375 million (Facility A) was prepaid in 2015, and the remaining USD 375 million (Facility B) is repayable in quarterly instalments until November 2018. The balance as of 31 December 2016 was USD 261.2 million (AED 959.5 million).

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 3 years and AED 1.4 billion of term loans with a maturity of 5 years. In December 2015, the Group had 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 2 years with banks' approval. As at 31 December 2016, these facilities remained committed and undrawn.

In August 2016, the Group signed three new bilateral facilities with banks for AED 1.8 billion to refinance its existing loans due to mature out to end of 2018. The new facilities comprised of: AED 400 million for a tenor of 10 years, AED 900 million for a tenor of 7 years and AED 500 million for a tenor of 5 years. These facilities are secured and have bullet maturities. As at 31 December 2016, AED 5 million was drawn and the balance remained committed and undrawn.

Loan securities are in the form of mortgages over plots of land and operating assets and in the case of one facility, assignment of project receivables. Certain Group's borrowings carry a net worth covenant.

Borrowings repaid during the year amounted to AED 394 million (2015: AED 3.23 billion).

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

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

	2016 AED'000	2015 AED'000
Balance at the beginning of the year	**115,875**	101,919
Charge for the year (Note 24)	**20,511**	22,954
Paid during the year	**(8,249)**	(8,998)
Balance at the end of the year	**128,137**	115,875

19 ADVANCES FROM CUSTOMERS

Advances from customers represent instalments collected from customers against sale of the Group's property developments. As at 31 December 2016, there were no advances from the Government of Abu Dhabi (2015: AED 409 million) (note 31).

20 TRADE AND OTHER PAYABLES

	2016 AED'000	2015 AED'000
Trade payables	**465,869**	367,809
Accrual for contractors' costs	**1,725,527**	1,674,009
Accrual for infrastructure costs	**–**	8,151
Advances from the Government of Abu Dhabi (Note 11 and 31)[(i)]	**1,829,262**	4,237,508
Deferred income	**432,158**	304,952
Dividends payable	**104,057**	106,042
Provision for onerous contracts	**67,298**	102,918
Gross amount due to customers on contracts for sale of properties (Note 10.6)	**556,489**	653,562
Gross amount due to customers on contracts to construct an asset (Note 10.7)	**70,238**	47,554
Due to the Government of Abu Dhabi (Note 31)	**502,335**	154,857
Operating lease liability	**488,333**	–
Other liabilities	**538,586**	634,513
	6,780,152	8,291,875

(i) Advances that represent amounts received for the development of infrastructure on a certain master planned community development have been offset with development work in progress based on the conclusion of a similar transaction.

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

	2016 AED'000	2015 AED'000
Property development and management	**2,506,846**	1,269,990
Operating businesses	**3,730,650**	3,315,550
	6,237,496	4,585,540

22 DIRECT COSTS

	2016 AED'000	2015 AED'000
Cost of property development and management	**1,344,815**	600,263
Direct costs of operating businesses	**2,253,428**	1,779,353
	3,598,243	2,379,616

23 SELLING AND MARKETING EXPENSES

	2016 AED'000	2015 AED'000
Corporate advertising	**22,594**	21,859
Exhibitions and sponsorships	**6,578**	9,730
Project marketing	**32,246**	26,992
Other	**–**	2,685
	61,418	61,266

24 STAFF COSTS

	2016 AED'000	2015 AED'000
Salaries, bonuses and other benefits	**743,896**	636,524
Post-employment benefit (Note 18)	**20,511**	22,954
Staff training and development	**4,230**	4,794
	768,637	664,272
Staff costs allocated to:		
Direct operating costs	**507,127**	409,598
General and administrative expenses	**233,329**	229,509
Projects under development	**28,181**	25,165
	768,637	664,272

25 PROVISIONS, IMPAIRMENTS AND WRITE DOWNS – NET

	2016 AED'000	2015 AED'000
Impairment of property, plant and equipment (Note 5)	**(33,583)**	(139,555)
Reversal of/(provision) for trade receivables (Note 10.1)	**26,280**	(15,302)
Write down of land held for sale	**–**	(112,234)
Write-off of development work in progress (Note 11)	**–**	(9,565)
Reversal of impairment of investment in an associate	**–**	8,603
Write-off of refundable costs	**–**	(14,476)
Others	**(20,319)**	(6,605)
	(27,622)	(289,134)

26 FINANCE INCOME

	2016 AED'000	2015 AED'000
Interest/profit earned on:		
Islamic deposits	**34,963**	11,365
Bank fixed deposits	**44,900**	26,072
Call and current accounts	**729**	821
Total interest/profit earned	**80,592**	38,258
Financing element earned on receivables – net	**16,081**	24,173
Financing income earned on receivables from project finance	**13,832**	14,042
Other finance income	**9,467**	22,001
	119,972	98,474

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

	2016 AED'000	2015 AED'000
Loans and receivables	**39,380**	60,216
Bank balances and deposits	**80,592**	38,258
	119,972	98,474

27 FINANCE COSTS

	2016 AED'000	2015 AED'000
Gross costs	**217,562**	232,169
Unwinding of finance cost on operating lease liability (Note 2.1 and 32.2)	**19,217**	–
Less: amounts included in the cost of qualifying assets[(i)] (Note 5 and 7)	**(2,362)**	(285)
	234,417	231,884
Recycling of hedging reserve loss	**6,772**	7,777
	241,189	239,661

(i) The weighted average capitalisation rate of funds borrowed is 3.5% (2015: 3.2%) per annum.

28 OTHER INCOME

	2016 AED'000	2015 AED'000
Government grant income recorded upon handover of infrastructure assets (Note 31.1.a and 31.1.b)	**715,825**	165,668
Write back on receivables and cancellation of land plots – net	**44,426**	–
Recovery of amounts previously charged to income statement	**135,834**	–
Release of Infrastructure accruals, onerous provision and other accruals	**56,821**	457,717
Others	**1,374**	70,782
	954,280	694,167

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:

	2016	2015
Earnings (AED'000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**2,782,364**	2,536,794
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	7,862,629,603
Basic and diluted earnings per share attributable to owners of the Company in AED	**0.354**	0.323

30 DIVIDENDS

At the annual general assembly held on 16 March 2016, the shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 10 fils per share for a total of AED 786 million. The Board of Directors propose a cash dividend of AED 11 per share for the year ended 31 December 2016. 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:

	2016 AED'000	2015 AED'000
Due from/(to) Government:		
Refundable costs (Note 10.2)	**301,395**	315,744
Receivable from assets sold (Note 10)	**1,290,038**	1,121,967
Other payables (Note 20)	**(502,335)**	(154,857)
Other receivables	**57,454**	188,090
	1,146,552	1,470,944
Advances received (Note 19 and 20)	**1,829,262**	4,646,500
Due from associates and joint ventures (Note 10.5)	**325,599**	350,372
Due to joint ventures for project-related work:		
Contract payables	**32,692**	32,692
Retention payables	**–**	815
	32,692	33,507

Certain receivables from joint ventures carry interest of 9% per annum and are repayable within 2 to 5 years.

	2016 AED'000	2015 AED'000
Due (to)/from major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10.3)	**138,649**	142,798
Due to a major shareholder – net	**–**	(150,716)
	138,649	(7,918)

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

	2016 AED'000	2015 AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**15,015**	12,963
Post-employment benefits	**693**	471
	15,708	13,434
Directors remuneration paid	**29,183**	30,976
Income from Government and major shareholder owned by Government:		
Revenue from sale of land and properties	**812,825**	10,000
Project management income	**119,377**	149,604
Rental income	**363,507**	300,060
Government grant income (Note 28)	**715,825**	165,668
	2,011,534	625,332
Work provided by joint ventures	**-**	102
Finance income from project finance and joint ventures	**20,243**	23,447

31.1 In January 2013, the Government of Abu Dhabi had agreed to reimburse up to AED 1.6 billion of infrastructure costs. This transaction has been accounted for as follows:

a) AED 1.3 billion of the amount received has been recorded as "advances from the Government of Abu Dhabi" for refundable costs under trade and other payables. As of 31 December 2016, the balance in "Advances from the Government of Abu Dhabi" is AED 44.2 million (Note 20). During the year, an amount of AED 510.0 million was recognised as government grant income upon handover of infrastructure assets at Shams (31 December 2015: Nil).
b) 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 recognized as a deferred government grant. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised in profit or loss. During the year, an amount of AED 206.0 million was recognised as government grant income upon handover of infrastructure assets (31 December 2015: AED 165.7 million).

31.2 Outstanding borrowings of AED 1,600.7 million (31 December 2015: AED 1,993.8 million) are due to the Government and banks controlled by the Government. Finance cost on these borrowings amounted to AED 57.6 million (2015: AED 58.3 million).

31.3 Outstanding deposits of AED 2,594.0 million (31 December 2015: AED 2,510.3 million) are kept with banks controlled by the Government. Finance income on these deposits amounted to AED 50.9 million (2015: AED 19.3 million).

32 COMMITMENTS AND CONTINGENCIES

32.1 CAPITAL COMMITMENTS

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

	2016 AED'000	2015 AED'000
Projects under development	**1,731,035**	1,481,828
Reimbursable project works in progress	**4,489,301**	4,364,283
Investment in associates	**30,342**	30,342
	6,250,678	5,876,453

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 1,198 million (2015: AED 1,159 million) against the above commitments.

32 COMMITMENTS AND CONTINGENCIES CONTINUED

32.2 OPERATING LEASE COMMITMENTS

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

The Company as lessor

	2016 AED'000	2015 AED'000
Buildings:		
Within one year	**825,892**	775,758
In the second to fifth year	**1,794,525**	2,061,257
After five years	**948,387**	533,431
	3,568,804	3,370,446

Following the Company election to adopt IFRS 16 (Note 2.1), the resulting impact on the consolidated income statement and consolidated statement of cashflows is as follows:

The Company as a lessee

	2016 AED'000
Unwinding of interest expense during the period on lease liabilities (note 27)	**19,217**
Expense relating to short-term leases	**27,921**
Total cash outflow in respect of leases	**20,704**

32.3 CONTINGENCIES

Letters of credit and bank guarantees

	2016 AED'000	2015 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	**698,084**	391,647
Group's share in contingencies of joint ventures and associates	**221,690**	232,369

Included in the above are bank guarantees and letters of credit amount of AED 619.2 million (31 December 2015: AED 338.9 million) pertaining to a construction related subsidiary.

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

	2016 AED'000	2015 AED'000
Financial assets		
Available-for-sale financial assets	**126,448**	122,973
Loans and receivables (including cash and bank balances)	**10,530,739**	10,459,162
Total	**10,657,187**	10,582,135
Financial liabilities		
Financial liabilities measured at amortised cost	**9,658,169**	9,544,336
Derivative instruments	**15,081**	20,424
Total	**9,673,250**	9,564,760

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 2016, the weighted average cost of debt was 3.51% (2015: 3.17%). 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 nine (2015: six) borrowing arrangements require the Group maintaining a minimum tangible net worth of AED 6.0 billion.

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 financial statements at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

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**	
	2016 AED'000	2015 AED'000	**2016 AED'000**	2015 AED'000
US Dollar	**3,851,570**	3,788,767	**1,038,297**	1,057,576
Saudi Riyal	**1,095**	–	**13,412**	–
Pound Sterling	**256**	132	**–**	–
	3,852,921	3,788,899	**1,051,709**	1,057,576

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

33 FINANCIAL INSTRUMENTS CONTINUED

33.5 MARKET RISK MANAGEMENT CONTINUED

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 2016 would decrease/increase by AED 16.6 million/AED 15.5 million (2015: decrease/increase by AED 22.3 million/ AED 12.1 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 rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Cash flow hedges

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

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

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 instalment payments, in some cases substantial, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover the losses incurred by the Group.

At 31 December 2016, 100% (2015: 100%) of the deposits were placed with 6 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.

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

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 December 2016 and 2015 based on contractual maturities.

	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
31 December 2016							
Financial assets							
Non-interest bearing instruments		**–**	**490,055**	**2,570,262**	**613,728**	**89,114**	**3,763,159**
Receivables from project finance	**6-9%**	**–**	**5,125**	**19,265**	**76,068**	**261,759**	**362,217**
Variable interest rate instruments	**Note 13**	**2,096,292**	**1,380,784**	**3,256,757**	**–**	**–**	**6,733,833**
Total		**2,096,292**	**1,875,964**	**5,846,284**	**689,796**	**350,873**	**10,859,209**
Financial liabilities							
Non-interest bearing instruments[1]		**77,960**	**2,396,546**	**1,037,013**	**94,083**	**–**	**3,605,602**
Non-convertible sukuk	**Note 16**	**–**	**–**	**9,983**	**2,755,125**	**–**	**2,765,108**
Variable interest rate instruments	**Note 17**	**5,051**	**41,646**	**589,572**	**2,207,389**	**5,000**	**2,848,658**
Operating lease liability		**–**	**10,749**	**25,678**	**198,473**	**253,433**	**488,333**
Derivative instruments		**–**	**–**	**15,081**	**–**	**–**	**15,081**
Total		**83,011**	**2,448,941**	**1,677,327**	**5,255,070**	**258,433**	**9,722,782**
31 December 2015							
Financial assets							
Non-interest bearing instruments		3,700	208,739	3,398,122	725,464	93,626	4,429,651
Receivables from project finance	6-9%	–	5,125	20,314	79,773	279,645	384,857
Variable interest rate instruments	Note 13	1,492,463	1,108,311	3,684,669	–	–	6,285,443
Total		1,496,163	1,322,175	7,103,105	805,237	373,271	11,099,951
Financial liabilities							
Non-interest bearing instruments[1]		92,635	2,325,384	1,053,748	125,756	–	3,597,523
Non-convertible sukuk	Note 16	–	–	9,983	2,755,125	–	2,765,108
Variable interest rate instruments	Note 17	4,238	3,102	394,005	2,855,407	–	3,256,752
Derivative instruments		–	–	–	20,424	–	20,424
Total		96,873	2,328,486	1,457,736	5,756,712	–	9,639,807

(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 2016		As at 31 December 2015	
	Gross carrying amount AED'000	**Fair value AED'000**	Gross carrying amount AED'000	Fair value AED'000
Financial liabilities at amortised cost				
Non convertible sukuk (Note 16)	**2,759,172**	**2,842,380**	2,755,388	2,841,223

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 2016 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**
31 December 2016				
Available-for-sale investments				
Equities	**29,580**	**96,868**	**–**	**126,448**
31 December 2015				
Available-for-sale investments				
Equities	30,600	92,373	–	122,973

The fair values of derivative instruments amounting to AED 15 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.

35 SEGMENT INFORMATION

35.1 BUSINESS SEGMENTS

Segment information about the Group's continuing operations for the year ended 31 December 2016 is presented below:

For the year ended 31 December 2016

	Property development and management		Asset management				
	Property development and sales AED'000	Development management AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Operative villages AED'000	Adjacencies AED'000	Group AED'000
Revenue excluding service charges	2,387,467	119,379	1,577,965	540,334	91,748	1,371,270	6,088,163
Revenue from service charges	–	–	149,333	–	–	–	149,333
Gross revenue	2,387,467	119,379	1,727,298	540,334	91,748	1,371,270	6,237,496
Cost of revenue excluding service charge	(1,327,289)	(17,526)	(180,167)	(431,018)	(67,842)	(1,425,068)	(3,448,910)
Service charge expenses	–	–	(149,333)	–	–	–	(149,333)
Gross profit	1,060,178	101,853	1,397,798	109,316	23,906	(53,798)	2,639,253
Depreciation and amortisation	–	–	(6,695)	(116,438)	(15,112)	(45,315)	(183,560)
Provisions, impairments and write downs – net	52,375	–	(20,359)	(33,583)	–	(5,735)	(7,302)
Fair value gain on investment properties	–	–	(169,680)	–	–	–	(169,680)
Share of profit from associates and joint ventures	–	–	61,333	–	–	–	61,333
Gain on disposal of investment properties	–	–	14,409	–	–	–	14,409
Other income	718,410	16,563	50,343	–	–	–	785,316
Segment profit/(loss)	1,830,963	118,416	1,327,149	(40,705)	8,794	(104,848)	3,139,769
Share of profit from associates and joint ventures							5,303
Selling and marketing expenses							(61,418)
Provisions, impairments and write downs – net							(20,320)
General and administrative expenses							(343,185)
Depreciation and amortisation							(15,490)
Finance income							119,972
Finance costs							(241,189)
Other income							168,964
Profit for the year							2,752,406

35 **SEGMENT INFORMATION** CONTINUED

35.1 **BUSINESS SEGMENTS** CONTINUED

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

The segment assets and liabilities and capital and project expenditure at 31 December 2016 and 31 December 2015 are as follows:

	Property development and management		Asset management					
	Property development and sales AED'000	**Development management AED'000**	**Investment properties AED'000**	**Hospitality and leisure AED'000**	**Operative villages AED'000**	**Adjacencies AED'000**	**Unallocated AED'000**	**Group AED'000**
As at 31 December 2016								
Assets	**7,201,806**	**3,405,611**	**16,837,062**	**2,409,892**	**38,556**	**1,578,095**	**4,090,075**	**35,561,097**
Liabilities	**(1,874,422)**	**(3,164,341)**	**(1,495,274)**	**(144,422)**	**(32,591)**	**(667,457)**	**(6,096,496)**	**(13,475,003)**
Capital expenditures	**–**	**–**	**25,058**	**17,617**	**613**	**205,431**	**11,939**	**260,658**
Project expenditures	**606,488**	**–**	**96,182**	**–**	**–**	**1,733**	**–**	**704,403**
As at 31 December 2015								
Assets	7,792,982	3,261,439	16,689,059	2,548,088	196,279	1,188,720	4,464,109	36,140,676
Liabilities	(3,979,820)	(3,557,377)	(1,249,023)	(174,770)	(152,890)	(325,276)	(6,413,792)	(15,852,948)
Capital expenditures	–	–	17,540	35,276	927	38,530	2,147	94,420
Project expenditures	221,205	83,142	373,671	–	–	6,674	–	684,692

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 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 48 million (2015: AED 5 million).

37 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2017.

Notes

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