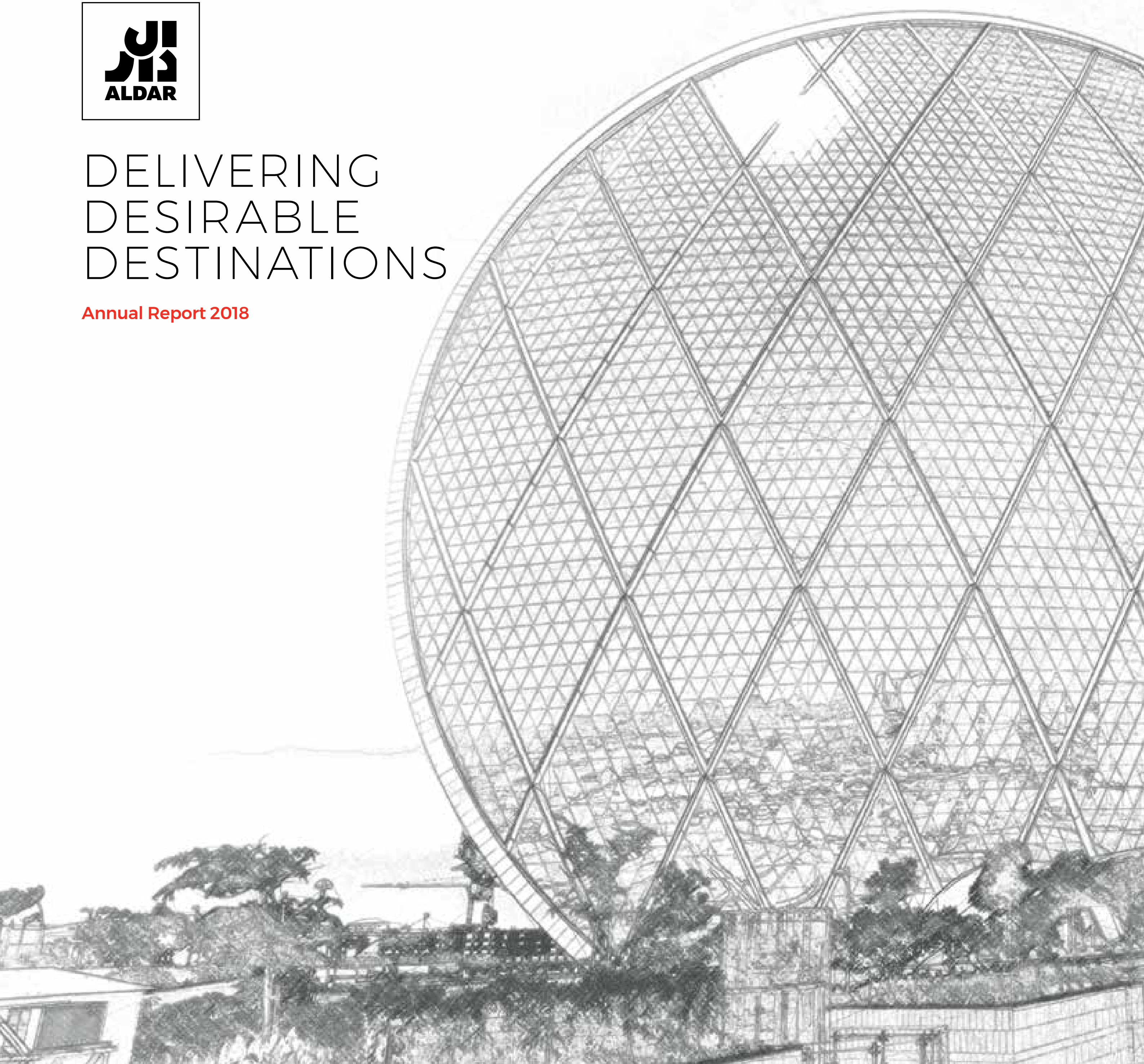
DELIVERING DESIRABLE DESTINATIONS

Annual Report 2018



YAS ISLAND

Yas Island is one of the Middle East's leading leisure and entertainment destinations. Located directly adjacent to Al Raha Beach, this world-class development is home to an elite motorsports racetrack, the 5-star Yas Hotel, Yas Links golf course, a family-friendly waterpark, the iconic Ferrari World and the recently opened Warner Bros. World, Abu Dhabi.

The one-of-a-kind tourist destination and vibrant residential hub also comprises of numerous luxury villas, apartments and hotels alongside 300,000 square metres of retail space. Leading community developments at Yas Island include Ansam, Mayan, Water's Edge, West Yas and Yas Acres which all offer an unrivalled quality of life in picturesque surroundings.

What's more, Yas Island hosts an exciting calendar of events across the year, including the world famous Formula 1 racing, live concerts with major international artists and an exciting shopping experience at Yas Mall.

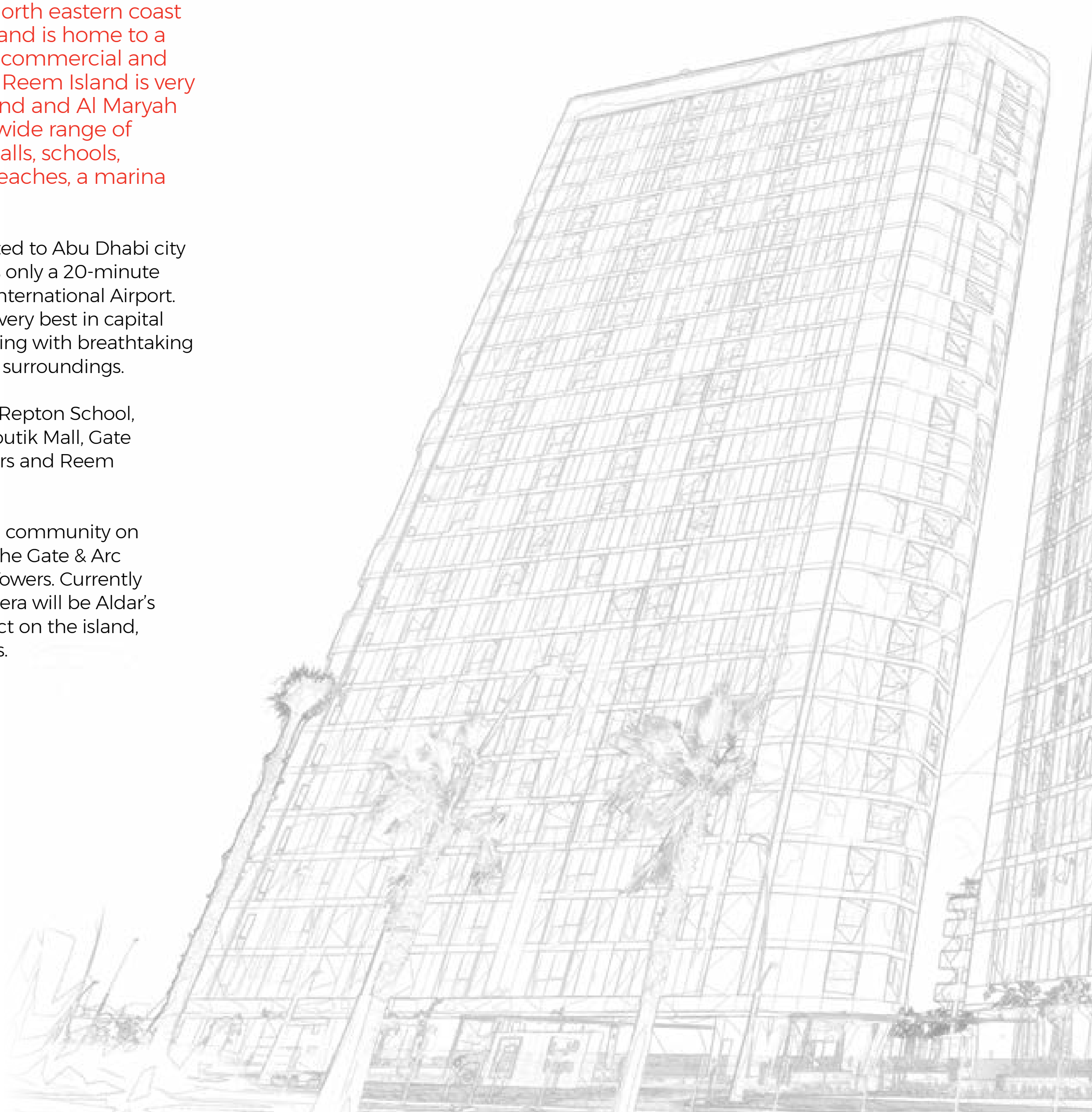
REEM ISLAND

Reem Island is a natural island located 600 metres off the north eastern coast of Abu Dhabi island and is home to a variety of residential, commercial and retail developments. Reem Island is very close to Saadiyat Island and Al Maryah Island which offer a wide range of facilities including malls, schools, universities, hotels, beaches, a marina and much more.

Reem Island is connected to Abu Dhabi city island by bridges and is only a 20-minute drive from Abu Dhabi International Airport. Reem Island offers the very best in capital living in a beautiful setting with breathtaking views of the city and its surroundings.

Key amenities include: Repton School, Sorbonne University, Boutik Mall, Gate Towers, Sun & Sky Towers and Reem Central Park.

Aldar’s master-planned community on Reem Island includes The Gate & Arc Towers and Sun & Sky Towers. Currently under construction, Meera will be Aldar’s first mid-market product on the island, followed by The Bridges.



SAADIYAT ISLAND

Saadiyat is a premier island destination, spanning 27 square kilometres and created around an environmentally-sensitive philosophy and low-density master plan. The island is home to three main areas, Saadiyat Cultural District, Saadiyat Beach District and Saadiyat Marina District.

Saadiyat's vibrant Cultural District brings together The Louvre Abu Dhabi, Zayed National Museum and The Guggenheim Abu Dhabi – all designed by Pritzker prize winners. The area is also home to the purpose-built art and culture centre, Manarat, AlSaadiyat, and The UAE Pavilion, a unique event space.

With a pristine beachfront, home to various 5-star hotels, a golf course and beach club, the island is a prestigious address in the Capital which offers a discerning lifestyle. In addition, Saadiyat has world-class educational offerings including The Redwood Nursery, Cranleigh Abu Dhabi and New York University Abu Dhabi.

Aldar's master-planned communities on Saadiyat include Mamsha AlSaadiyat, Jawaher, Saadiyat Grove, Saadiyat Beach Golf Club and Saadiyat Beach Club.

AL RAHA BEACH

Al Raha Beach is a mix of premium residential, commercial, cultural, entertainment and public amenities. Incorporating 5.2 million square metres of natural beachfront, Al Raha Beach is also conveniently located next to the main highway linking Abu Dhabi and Dubai. Accommodating over 3,000 completed Aldar units, Al Raha Beach contains four flagship landmarks, each one distinct from the next – Al Bandar, Al Hadeel, Al Muneera and Al Zeina.

These diverse precincts are all residential and mixed-use developments with an array of facilities including an exclusive clubhouse, retail outlets and swimming pools. Al Raha Beach also offers a welcoming ambience to residents and guests through an abundance of dining choices, landscaped lawns and peaceful water fountains. This is a destination that offers something for everyone.

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

Since Aldar was established, it has continued to shape and enhance the urbanisation of the UAE's capital city by delivering desirable destinations where communities can work, live and visit. Those destinations include Yas Island, Reem Island, Al Raha beach and now Saadiyat Island.

Strategic Report

Governance

Financial Statements

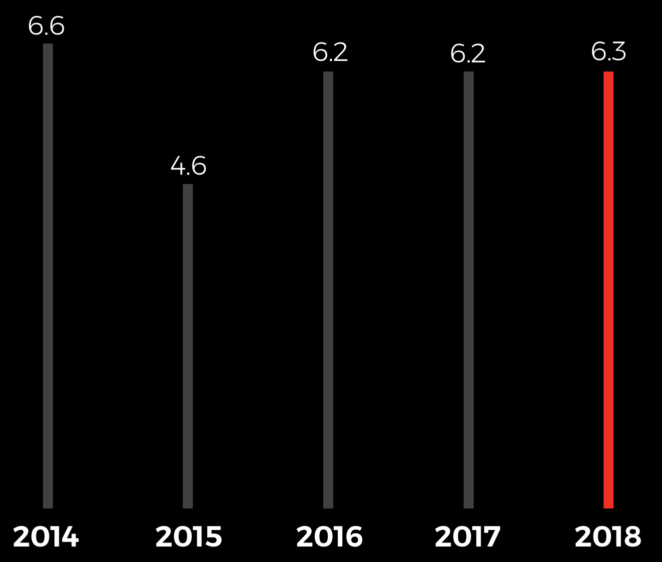
2018 FINANCIAL HIGHLIGHTS

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

Revenue

AED 6.3bn

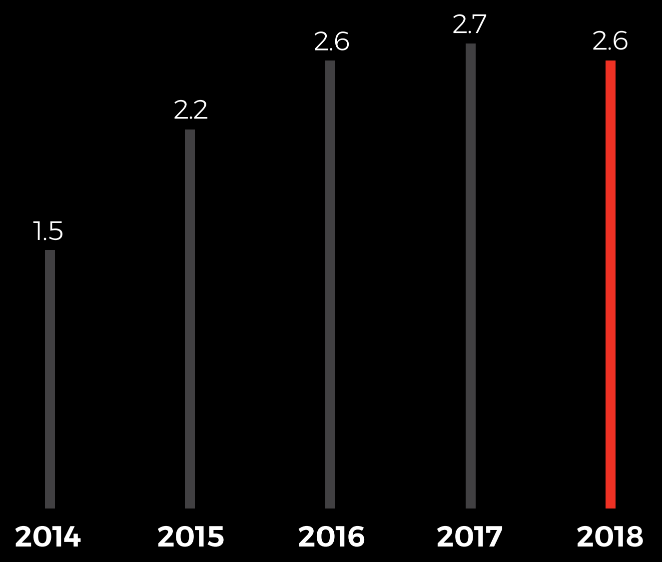
(2017: AED 6.2 BILLION)



Gross profit

AED 2.6bn

(2017: AED 2.7 BILLION)



Off-plan development sales

AED 2.6bn

(2017: AED 3.5 BILLION)

Total assets

AED 39bn

(2017: AED 36 BILLION)

Net operating income from recurring revenue assets

AED 1.6bn

(2017: AED 1.6 BILLION)

Earnings per share

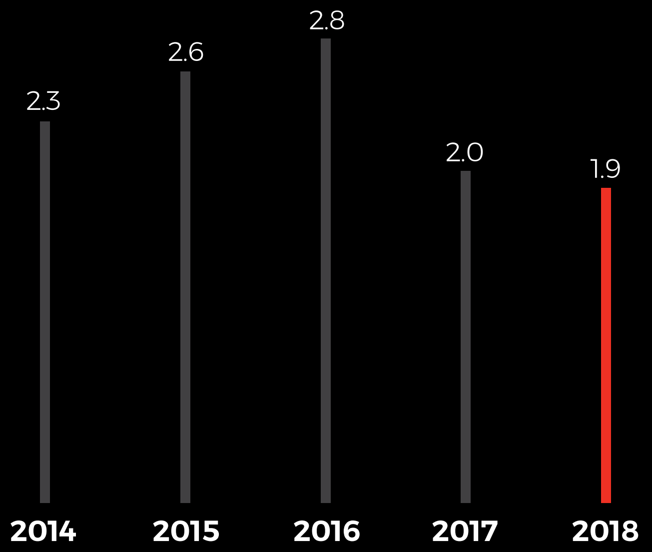
24 fils

(2017: 25 FILS)

Net profit

AED 1.9bn

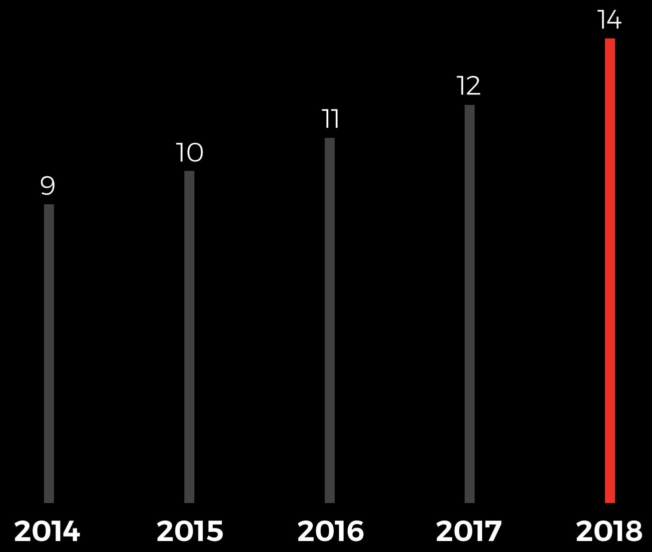
(2017: AED 2.0 BILLION)



Dividend per share

14 fils

(2017: 12 FILS)



YEAR IN REVIEW

JANUARY

FIRST RESIDENTS ON YAS ISLAND AT ANSAM

Ansam is the first residential development on Yas Island to be handed over to residents, marking the establishment of a permanent population on the island.

MARCH

LAUNCHES REFLECTION ON REEM ISLAND

The AED 440 million boutique residential development on Reem Island offers 374 homes, comprising studios, 1, 2 and 3-bedroom apartments.

JV BETWEEN ALDAR PROPERTIES AND EMAAR ANNOUNCED

JV will develop the world's next era of iconic destinations that will shape the UAE's ever-evolving skyline with a targeted national and international development pipeline.

APRIL

HANDOVERS BEGIN AT NAREEL ISLAND AND AL MERIEF

Nareel Island is a prime destination on one of Abu Dhabi's most exclusive islands and Al Merief offers land plots for UAE Nationals in Khalifa City.

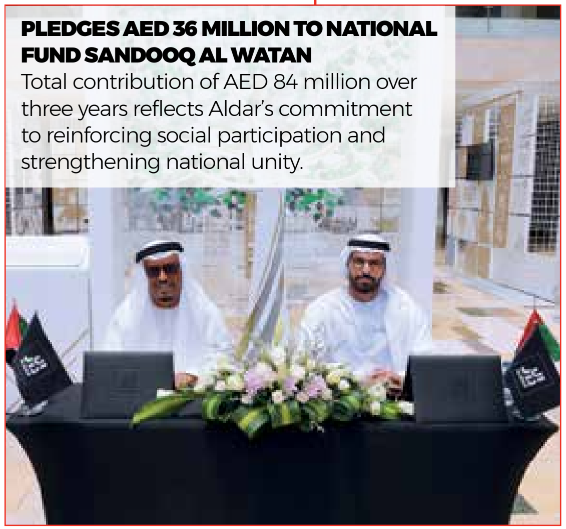
LAUNCHES ALGHADEER

Alghadeer is a AED 10 billion mixed-use master development located close to the border of Abu Dhabi and Dubai in Seih Al Sdeirah.

MAY

AED 3.7 BILLION ASSET ACQUISITION

The acquisition is one of the largest in the UAE and includes assets in the hospitality, retail, residential, education and infrastructure sectors.



PLEDGES AED 36 MILLION TO NATIONAL FUND SANDOOQ AL WATAN

Total contribution of AED 84 million over three years reflects Aldar's commitment to reinforcing social participation and strengthening national unity.

COMMENCED HANDOVER OF WEST YAS VILLAS

Handovers were undertaken in phases and continued throughout 2018.

JUNE

LAUNCH OF ALDAR INVESTMENTS

Marks the creation of the region's largest diversified real estate investment company with AED 20 billion of assets.

SEPTEMBER

TAKES FULL OWNERSHIP OF KHIDMAH

Acquires remaining 40% of leading UAE-integrated property services company Khidmah, taking Aldar's total ownership to 100%.

SEPTEMBER

WINS FOUR AWARDS AT MECSC AWARDS 2018

Joint and separate entries were submitted to the ICSC Middle East and North Africa Shopping Centre Awards for Yas Mall and The Mall at World Trade Center Abu Dhabi.

NOVEMBER

FIRST WOMAN JOINS EXECUTIVE MANAGEMENT TEAM

Appointed Bayan Al Hosany, Director of People & Performance, as the first female to join the Executive Management Team.

NOVEMBER

LAUNCHES THE CEDARS AT YAS ACRES

The newly-named community within its flagship golf and waterfront development, Yas Acres is part of Aldar's strategy to create distinct communities within an overall masterplan.

WINS EMIRATISATION AWARD

Recognised by The Ministry of Human Resources and Emiratisation for growing and developing our cadre of UAE Nationals.

COMPLETES SUCCESSFUL REFINANCING WITH NEW 7-YEAR US$ 500M SUKUK WHICH WAS SUBSEQUENTLY LISTED ON ADX

Demonstrates Aldar Investments' ability to raise efficient long-term debt capital independently and successfully refinances Aldar's forthcoming debt maturities, with the listing marking the first corporate sukuk to be listed on the ADX.

CONTRACT AWARDED AT ALGHADEER

Appointed the main contractor for infrastructure buildings and early works package at the AED 10 billion Alghadeer project.

LEADING REAL ESTATE GROUP

Aldar's primary activities are based within the Emirate of Abu Dhabi, where it owns a significant land bank and diversified real estate property portfolio. The activities of the Group are split into two main areas, Development Management and Asset Management.

We use our experience and knowledge of the Abu Dhabi real estate market to create long-term shareholder value through the development and monetisation of our land bank and through maximising the value of our asset management business.

Read about Our Strategy on Page 16 →

ALDAR

DEVELOPMENT MANAGEMENT

Aldar is the largest developer within Abu Dhabi and, since inception, has completed approximately 26,000 residential units across the Emirate. As at 31 December 2018, a further 8,000 residential units were under development.

Aldar owns a significant land bank of 75 million square metres across Abu Dhabi that provides optionality throughout the cycle to address specific segments of the real estate market.

Read about our Development Management activities on Page 18

ASSET MANAGEMENT

Aldar owns and manages a diverse asset management portfolio of AED 20 billion of assets, all within Abu Dhabi. During 2018, Aldar transfered the majority of these assets into a 100% owned subsidiary Aldar Investments. The portfolio is predominantly split across four main real estate asset classes; residential, retail, commercial and hotels.

It also comprises of a number of adjacent businesses, that provide strategic synergies for the wider Group such as schools and property and facilities management.

Read about our Asset Management portfolio on Page 24

OUR MARKETS

RESIDENTIAL

Aldar predominantly sells residential property through its development business, where it actively launches in-demand off-plan residential developments on payment plans to buyers. The asset management business also owns a significant residential portfolio across Abu Dhabi, which is leased to a mix of individual and corporate tenants.

RETAIL

Aldar has developed a substantial retail footprint within Abu Dhabi that addresses both destination retail, such as Yas Mall and Al Jimi Mall, and the convenient community-focused retail located around our residential developments.

COMMERCIAL

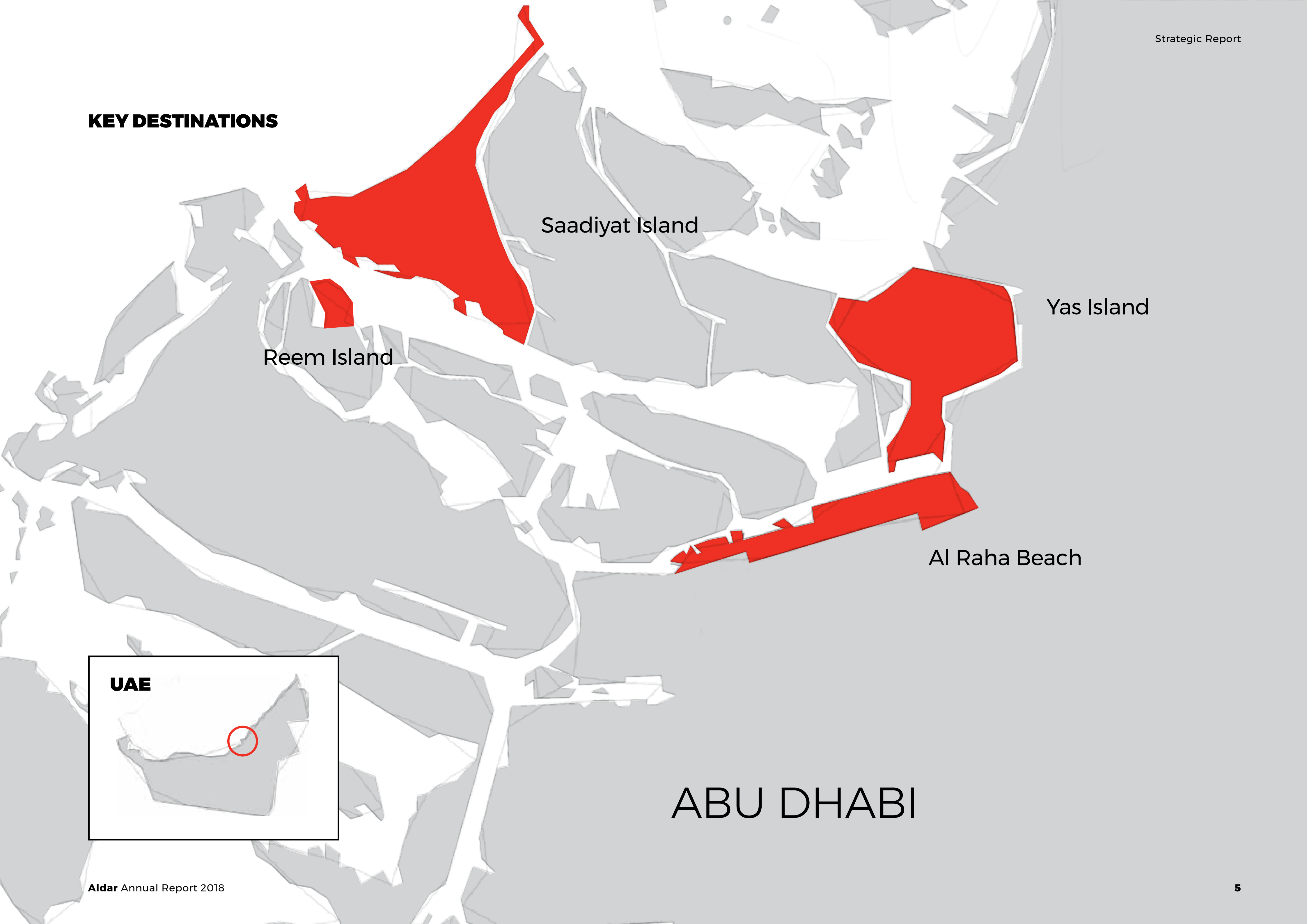
Aldar has developed and, in more recent years, acquired a high-quality, predominantly Grade A commercial office portfolio that attracts top-tier tenants. The commercial portfolio is principally located across Abu Dhabi islands and has a significant exposure to the Government of Abu Dhabi as a tenant.

HOTELS

Aldar owns a unique cluster of hotels on Yas Island that benefit from their proximity to the airport and continued activation of Yas Island as the leisure and entertainment centre of Abu Dhabi, which most recently included the opening of Warner Bros. World, Abu Dhabi in July 2018.

Read More on Page 12 →

KEY DESTINATIONS



Chairman's Statement

SUSTAINABLE LONG-TERM GROWTH

Dear shareholder,
It gives me great pleasure to report on another successful year for Aldar Properties.

In 2018 the Abu Dhabi government announced important investments in key enablers for economic growth, further supporting the Emirate's sustainable diversification strategy and creating a conducive environment for expansion. The benefits of this investment are already being felt on the ground, with Abu Dhabi's economy expected to grow further in 2019 and beyond.

At Aldar, we are proud to support Abu Dhabi's development, which reflects the legacy of the late Sheikh Zayed bin Sultan Al Nahyan, the Founding Father of the United Arab Emirates. In particular, it gives us great pleasure to play a role in contributing to our nation's prosperous future in the year that marked 100 years since the UAE Founding Father's birth – a year declared the "Year of Zayed".

Abu Dhabi's continued evolution into a global business and leisure destination has supported Aldar's journey to become a mature real estate development and asset management group with over AED 36 billion of assets. This is why we wholeheartedly support the Abu Dhabi Government's AED 50 billion economic stimulus package, which was announced in June 2018. Known as Ghadan 21 ("Tomorrow 21"), the programme seeks to transform the ease of doing business and bring lasting economic benefits to Emiratis, residents and investors. Ghadan 21 looks to generate a vision of a future, post-oil economy that aims to stimulate investment and innovation, create jobs, and improve overall quality of life.
This will boost the competitiveness of Abu Dhabi as a desirable destination to invest, work, live and visit. It also gives us optimism for 2019 and beyond.

The government's review of building regulations for infrastructure, industrial, residential and commercial properties contributes further to urbanization while helping to reduce costs for citizens, residents and investors, all of which will have a positive flow on effect for the real estate market. The UAE Government also announced new laws during 2018 that allow 100% foreign ownership of local businesses and granting of residency visas for up to 10 years for investors, retirees, key professionals and their families to make longer term residency easier and more attractive.

Aldar also undertook significant actions in 2018 to ensure sustainable long-term growth. Aldar's strategic partnership with Emaar is about more than property development – it highlights our commitment to furthering the reputation of the UAE's real estate industry and our nation's commitment to collaboration.

Our development business launched two new mid-income projects, Reflection and Alghadeer, making home ownership a possibility for more people and supporting our belief in the untapped demand for affordable homes.

We made significant progress on our strategy to grow recurring revenue assets during 2018, which will equip Aldar with a steady stream of income and make us an even stronger business. Our transformative acquisition of AED 3.7 billion of assets from Abu Dhabi's Tourism Development & Investment Company bolsters the strength of our asset management and development management businesses and marks our entry to Saadiyat Island with residential developments. Mamsha and Jawaher while our launch of Aldar Investments – the region's largest, diversified real estate investment company - gives us operational and capital efficiencies creating the foundation for a new phase of accelerated growth.

Our relentless drive for excellence, our prudent approach to debt management and our commitment to growth enabled us to deliver a robust financial performance in 2018.

Our shareholders have placed a great deal of trust in Aldar over the last 14 years and we are pleased to reward their loyalty. Driven by our performance and our focus on delivering exceptional shareholder value, the Board has proposed a 17% increase to our dividend to 14 fils per share for 2018, representing the sixth consecutive year of dividend growth.

Our achievements would not have been possible without the support and guidance of our Nation's Leadership, the backing of our shareholders, the dedication of our employees and the loyalty of our customers. On behalf of the Board and executive management team, I would like to thank you all for your unwavering support.

H.E Mohamed Khalifa Al Mubarak
Chairman

"ABU DHABI'S CONTINUED EVOLUTION INTO A GLOBAL BUSINESS AND LEISURE DESTINATION HAS SUPPORTED ALDAR'S JOURNEY TO BECOME A MATURE REAL ESTATE DEVELOPMENT AND ASSET MANAGEMENT GROUP."

CEO's Statement

A MOMENTOUS YEAR

2018 was a momentous year for Aldar and an extremely proud and busy year for me personally as my first full year as CEO.

We completed three game-changing corporate actions during the year, plus a number of other significant achievements that set the stage for powerful future growth.

We announced an important strategic partnership with our neighbour Emaar in March 2018 that when completed will mark our entry into the Dubai real estate market, developing two important projects – Emaar Beachfront in Dubai and Saadiyat Grove, a mixed-use scheme on Saadiyat Island in Abu Dhabi.

In May, we announced one of the UAE's largest asset acquisitions through a AED 3.7 billion transaction that for the first time put Aldar on Saadiyat Island; and a few months later we created the Middle East region's largest diversified real estate investment company, Aldar Investments, a wholly-owned subsidiary of Aldar, into which we transferred substantially all our recurring revenue assets.

We delivered 1,237 homes and plots to customers during 2018 at Ansam, Hadeel, West Yas, Al Merief and Nareel Island, catering to the need for high quality homes across our city.

Our financial and operational performance was strong and will further accelerate as our mature asset portfolio grows and more of our developments enter the handover phase.

Looking at our financials, for the full year 2018, we reported a 2% increase in revenue to AED 6.3 billion, steady gross profit of AED 2.6 billion and development sales of AED 2.6 billion, including Q4 sales of AED 1.3 billion. We also saw a 3% increase in net operating income (NOI) from our recurring revenue assets, up to AED 1.6 billion.

Our NOI was particularly significant because it underpins the visibility of our cash flow and our dividend. We have a large and high-quality recurring revenue asset base business that generates significant and visible cash flow, so our increased dividend – up 17% to 14 fils per share – reflects this stability, our continued and growing confidence and also the contribution this year from our homebuilding business that is in its third straight year of over AED 1 billion in gross profit.

Our net profit of AED 1.9 billion would in fact have been AED 2.5 billion if it wasn't for fair value adjustments of AED 0.7 billion.

Our development business had a solid year too, where we continued the roll out of new, exciting and well thought-out communities that people want to call home.

In 2018, we launched approximately 1,400 units for sale, with two new developments – Reflection and Alghadeer – continuing our focus on the mid-income sector, and two luxurious residential developments on Saadiyat that are progressing well towards their respective completion dates.

Our development sales of AED 2.6 billion were mainly driven by Alghadeer, Mamsha, Jawaher and West Yas, and we are seeing a broadening of our buyer base in the GCC and beyond.

Handovers were completed at five of our developments with more handovers scheduled for 2019. We now have 15 projects and close to 8,000 units currently under construction, which will be delivered to customers from now until 2021, reflecting a rich pipeline of activity.

Looking at the other side of our business – asset management, in September, we created a new company, Aldar Investments, which became the region's largest diversified real estate investment company. We essentially took all of our iconic, recurring revenue assets from our asset management business and put them into Aldar Investments, including our malls, our residential units, our commercial portfolio and our hotels, worth AED 20 billion assets.

The rationale behind spinning off our asset management business was to create an independent, more efficient capital structure that would allow us to accelerate our growth and unlock value for shareholders.

Moody's endorsed the financial strength of Aldar Investments by assigning it a Baa1 credit rating which is the highest rating for a non-government corporate in the region. We then went out and raised independent finance in the form of a seven year $500 million sukuk, demonstrating Aldar Investment's ability to raise cost effective long-term debt independently, being more than twice oversubscribed across Europe, the Middle East and Africa.

We are excited about the future of Aldar Investments and look forward to making more key announcements during 2019 and beyond.

Additionally, in one of the largest real estate acquisitions in the country's history, we acquired some of the UAE's best assets from TDIC. This transaction facilitated our entry into the sought-after Saadiyat Island, which is also home to the Louvre Abu Dhabi, and crucially provided us with exposure to arguably the most prime investment zone in Abu Dhabi.

We acquired 14 operating assets across the hospitality, retail, residential, education and infrastructure sectors, along with land plots and developments under construction.

This diverse portfolio has already made a meaningful contribution to our financial performance, contributing AED 700 million in revenue and AED 200 million in gross profit to our 2018 financials. This is set to grow further in 2019 as these assets make a full year's contribution for the first time.

Last year, 60 of our loyal employees celebrated 10 years at Aldar, which is testament to the inclusive and supportive environment we have here. We also appointed our first female to our Executive Management Team, demonstrating our commitment to diversity.

In addition, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai presented Aldar with an Emirates Emiratization Award, and we also signed up as Official Partner to the Special Olympics World Games Abu Dhabi 2019.

We are proud to give back to the community in which we operate. During 2018, we brought our total contribution over the last two years to AED 84 million to Sandooq Al Watan, the National Fund charged with the responsibility of promoting sustainable development, a decent life and a bright future for all the people of the UAE.

Aldar has a unique innovation policy and we embrace and support change on both an individual and organizational level. We encourage our employees to spend 10% of their weekly hours for innovating and brainstorming, and our training and development teams offer innovation training courses, conferences and networking opportunities to foster continued learning and knowledge sharing.

We are extremely excited about 2019. In our development business we already hit the ground running with the successful launch of Alreeman, and we plan to launch a number of new developments across our key destinations. We are also making tremendous progress on our previously launched projects, with about 1,500 handovers expected during the year.

In our asset management business, we will see a full year contribution from our recently-purchased assets and completion on a project under development, and we will continue to assess the market for further opportunities to support growth and drive value.

Our strong financial position also allows us to make the most of organic and inorganic growth opportunities, both within Abu Dhabi and further afield, in line with our strategy to manage the region's most diversified property investment portfolio.

Talal Al Dhiyebi
Chief Executive Officer

ONE OF THE WORLD'S LEADING CITIES

Fast becoming one of the world's major global cities, Abu Dhabi has been named the safest city in the world for the past two years running.

Abu Dhabi, the capital of the United Arab Emirates, is home to a vibrant and dynamic business, educational, cultural and hospitality landscape and over three million people. The Emirate occupies over 80% of the UAE's territory across 700 kilometres of Arabian Gulf coastline making it the largest of the seven Emirates that comprise the country.

Abu Dhabi holds 6% of the world's oil reserves and 3% of the world's gas reserves[1] and is the world's seventh-largest crude oil producer and fourth-largest producer of petroleum liquids in the Organisation of the Petroleum Exporting Countries (OPEC). As such, its economy is largely driven by the hydrocarbon sector, which currently makes up half of Abu Dhabi's real GDP[2] and a large proportion of central Government revenues. Abu Dhabi is also home to two of the world's largest state-owned investors, with combined assets under management of approximately US$ 1 trillion.

However, Abu Dhabi has a strategic, long-term plan in place to diversify its economy, reduce its reliance on the oil sector as the main source of revenue and place a greater focus on developing knowledge-based industries. Entitled "Abu Dhabi Economic Vision 2030", the plan is structured around nine policy pillars, which are intended to form the architecture of the Emirate's social, political and economic future.

An economy-wide focus to raise productivity is central to the delivery of the plan, with a key focus on developing the manufacturing, banking and finance, aviation, tourism and real estate industries to bolster the Abu Dhabi economy. Aldar directly supports Abu Dhabi's vision by creating integrated urban areas, making the capital an attractive tourist destination and providing a platform for effective participation of UAE Nationals in the labour market.

Abu Dhabi maintains one of the highest GDP per capita levels in the world, estimated by S&P Global Ratings at US$ 82,000 per capita in 2018, with a net fiscal asset position averaging almost 240%. S&P estimates the Emirate's population increased by 80% between 2008 and 2018 to 3.0 million people. The credit rating agency affirmed Abu Dhabi's "AA/A-1+" sovereign credit rating in November 2018 with a stable outlook on the Emirate's strong fiscal and external positions, which protect its economy against market volatility.

Rapid development and urbanisation, coupled with high historical population growth and relatively high income, has transformed Abu Dhabi into a large and thriving city. Regardless of this rapid growth, it has been voted the safest city by Numbeo, a website for crowd-sourced global data.

Abu Dhabi's economy is set to benefit further from a series of Government initiatives announced in 2018 to stimulate economic growth. In June 2018, the Abu Dhabi Government revealed a AED 50 billion stimulus package over the next three years to encourage foreign investment and improve the business operating environment. In addition, the UAE introduced a new foreign investment law allowing 100% foreign ownership in certain sectors as well as new visa regulations, which are shaping positive sentiment and making Abu Dhabi an even more attractive place to live, work and visit.

Abu Dhabi National Oil Company (ADNOC) also announced new oil and gas discoveries which would add 1% and 7%, respectively, to proven reserves. ADNOC also announced a five-year investment plan of AED 486 billion (approximately 10% of GDP annually), to increase production capacity to five billion barrels per day by 2030 and provide another catalyst for growth across many related sectors of the economy.

Other initiatives are under way in key destinations across the Emirate that will drive tourists to Abu Dhabi and further diversify non-hydrocarbon revenue streams. Over the last 18 months, attractions, including the Louvre, Abu Dhabi, opened on Saadiyat Island and Warners Bros. Abu Dhabi opened on Yas Island.

Abu Dhabi world oil reserves

6%

Abu Dhabi world gas reserves

3%

Further cementing the Emirate's reputation as a regional cultural hub, Qasr Al Hosn, Abu Dhabi's oldest heritage site dating back to the 1760s, has reopened alongside a re-constructed National Consultative Council building and Cultural Foundation, following meticulous restoration work. Sea World Abu Dhabi is set for completion in 2022, while the new Midfield airport terminal will serve the rising number of passengers flying through Abu Dhabi International Airport and provide a lift to the transport, aviation and retail sectors.

These investments are set to positively impact Abu Dhabi as well as its real estate industry by increasing employment and population numbers.

Abu Dhabi's property market has matured over the last decade, supported by the introduction of regulation 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 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. For further information see Our Market section.

Aldar has been, and continues to be, a contributor and beneficiary of the evolution of the industry. In September 2018, it established the Middle East region's largest diversified real estate investment company, Aldar Investments, demonstrating Aldar's role in the development of the real estate industry in the region.

While Abu Dhabi is renowned for the depth of its hydrocarbon industry, its ability to successfully utilise its reserves has provided a solid base from which to diversify its economy. Government investments, increased oil production and recovering credit growth will support a revival of economic growth and ensure Abu Dhabi remains an attractive destination to live, work and invest.

Sources:
[1]International Trade Administration
[2]Oxford Business Group

Stimulus package over the next three years worth

AED 50bn

New foreign investment law allowing full foreign ownership

100%

ADNOC announced a five-year investment plan of

AED 486bn

S&P Global Ratings GDP per capita

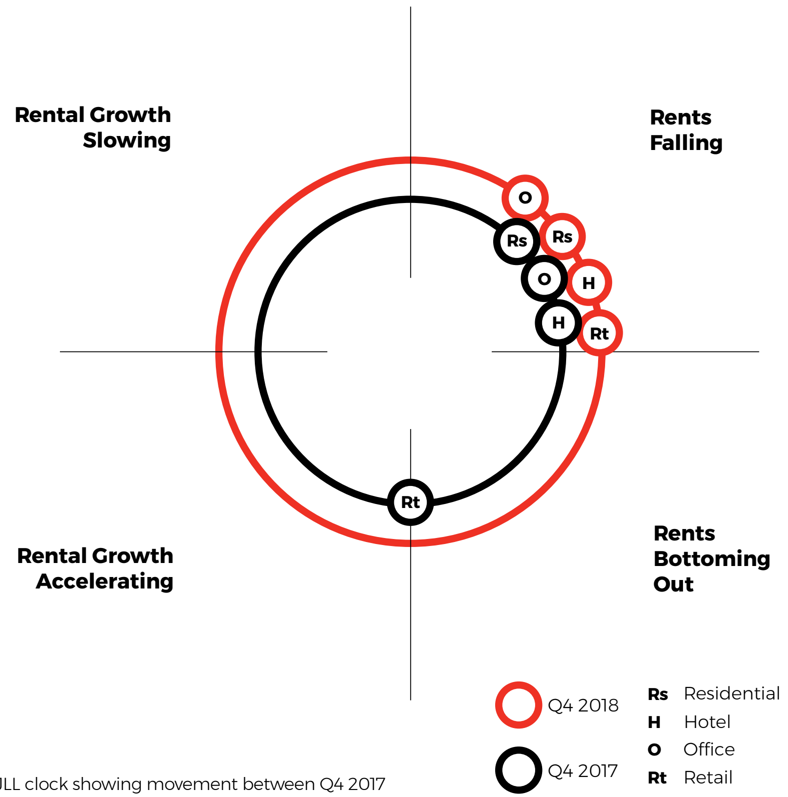
US$ 82,000

MARKET OVERVIEW

Aldar operates within Abu Dhabi's four main real estate classes: residential, retail, office and hospitality.

This section provides an overview of sector performance and an outlook of what to expect in 2019.

Abu Dhabi prime rental clock



JLL clock showing movement between Q4 2017 and Q4 2018.

Over the course of 2018, the Government of Abu Dhabi made a series of announcements and legislative changes in order to help stimulate growth and to improve the overall investment sentiment. This included Ghadan 21, a strategy to increase oil production capacity, and proposals for the amendment of visa legislation.

Ghadan 21 is a AED 50 billion fiscal stimulus package that targets short-term growth from 2019 to 2021 and consists of a set of initiatives across the local economy, focusing on four main pillars: business, society, knowledge & innovation and lifestyle. Those initiatives are set to enhance and grow SME and private sector participation in employment growth and consumer expenditure and to improve the overall standard of living within the Emirate.

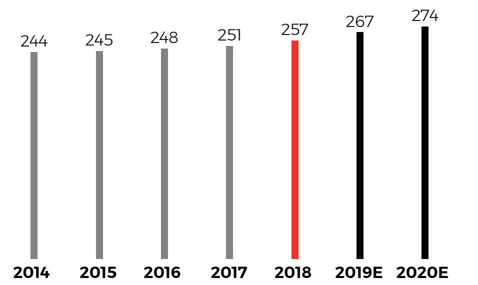
Provisions for the award of long-term visas were announced in November 2018, with legislation aimed at specific high-value verticals, including industry pioneers, medical practitioners and entrepreneurs, with all to benefit from extended visa periods of up to 10 years. Moreover, the legislation also aims to promote expats' societal participation through the introduction of 100% ownership of UAE-based enterprises for foreign investors.

Abu Dhabi National Oil Company (ADNOC) is set for significant growth with a AED 486 billion five-year capital expenditure plan approved by the Supreme Petroleum Council in November 2018 that will support development of the world's largest refining and petrochemicals complex in Ruwais city and boost oil production capacity to four million barrels per day by 2020 and five million barrels per day capacity target by 2030, both supporting long-term growth that filters into the economy.

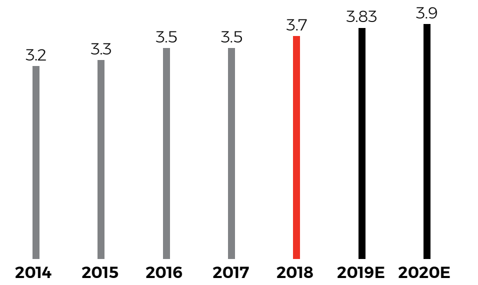
Since oil prices stabilised during 2017, the real estate industry has seen an uptick in demand for housing investments, particularly off-plan, which is broadly attributable to the shift in market sentiment rather than fundamentals, which are still trending towards the downside. However, with increased stimulus and the positive trickle-down effect of Expo 2020, and accelerating economic expansion, market conditions are anticipated to see improvement towards the end of 2019.

This section provides an overview of the performance of Abu Dhabi's residential, retail, office and hospitality real estate market in 2018 and provides an outlook for the coming years.

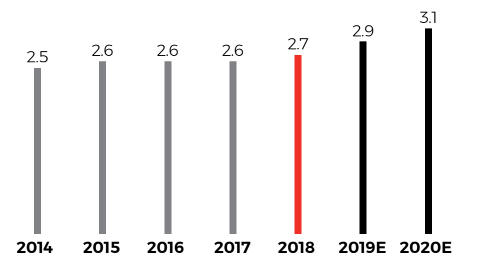
Residential market supply
('000S UNITS)[1]



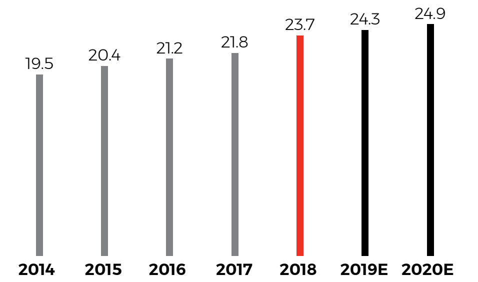
Office market supply
(MILLION SQM GLA)[1]



Retail market supply
(MILLION SQM GLA)[1]



Hotel market supply
('000S KEYS)[1]



RESIDENTIAL

During 2018, the Abu Dhabi residential market saw the delivery of 5,000 units, bringing the total stock to approximately 257,000[1]. As in previous years, the materialisation rate was far lower than was initially expected (circa 60% delivered versus projected).

With market sentiment now slowly improving amidst Government capex announcements and new federal visa legislations, the residential sector now appears to be close to bottoming out.

Off-plan development sales were largely driven by new product offerings launched into the market, addressing the underserved investment zone mid-market space, which was Aldar's primary area of focus during 2017 and 2018.

OUTLOOK

The supply of new residential units will continue to focus on investment zone locations such as Reem Island, Yas Island, Saadiyat Island and Al Raha Beach, as opposed to traditional locations on Abu Dhabi Island. These destinations represent more than 60% of residential projects currently under construction and will support the investment zone market share growth to 12% by 2020 as opposed to just 8% today.

Rental and sales prices are likely to face continued downward pressure in the near term, however, there remain tangible opportunities in the market for the right product and location.

OFFICE

There were limited new office completions during 2018[1], with the total amount of office accommodation remaining steady at around 3.7 million square metres of GLA as at 31 December 2018.

However, despite the limited new supply, the market-wide vacancy increased from 22% in December 2017[1] to reach 24% as at the end of 2018. However, it is important to note that this figure was considerably lower for high-quality Grade A spaces, where Aldar's portfolio is predominantly focused.

Office rents remained broadly stable for both Grade A and B, with little movement recorded over the course of the year.

OUTLOOK

With approximately 100,000 square metres of GLA expected to be delivered during 2019, we expect to see further deflationary pressure on rental rates as tenants look to negotiate better rates and incentives to remain in existing locations, and as landlords offer more attractive terms for new buildings.

RETAIL

Similar to 2017, there were no major retail completions during 2018, with total retail space standing at 2.7 million square metres GLA[1] at year end. The last major retail completion was the 221,000 square metres GLA super-regional Yas Mall on Yas Island, that entered the market in Q4 2014.

With weaker consumer sentiment, the Emirate's retailers have suffered from decreasing sales driven by the negative impact of lower oil prices and the resulting spillover effects into the economy. Rents within primary retail malls have generally weakened during 2018, although they have been insulated to a degree by the lack of new centres being delivered. Vacancy rates across key retail malls currently sit at around 17%[1], however, prime destination malls have typically managed to maintain stronger demand fundamentals.

OUTLOOK

There is currently approximately 200,000 square metres GLA of new retail space set to be delivered by the end of 2019[1]. This is predominantly driven by the anticipated completion of Al Maryah Central, a super-regional mall on Al Maryah Island[1]. However, beyond 2019 the only expected projects set to be delivered are the waterfront expansion of Marina Mall and smaller community retail projects.

HOTEL

Abu Dhabi's hotel market saw the introduction of around 1,900 new rooms in 2018[1], taking the total number of hotel keys to 23,700[1]. Despite decreased Government spending, Abu Dhabi's hotel occupancy remained relatively stable at 72%[1], supported by a strong increase in hotel guests into the Emirate.

OUTLOOK

Abu Dhabi's hospitality pipeline for 2019 and 2020 mainly comprises of new rooms from within Abu Dhabi Island, which will bring approximately 600 new keys to the market.

The opening of The Louvre Abu Dhabi in November 2017 has already had a positive impact, and it is expected that it will continue to support growth in international visitor numbers, further supported by the opening of Warner Bros. World, Abu Dhabi in the summer of 2018.

[1] Source – JLL

MAXIMISING VALUE
Create long-term shareholder value

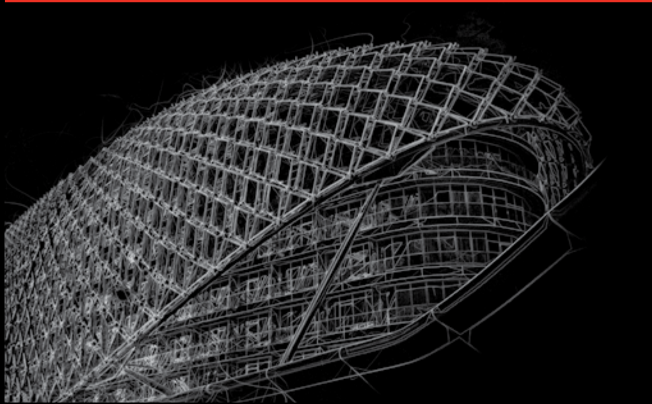
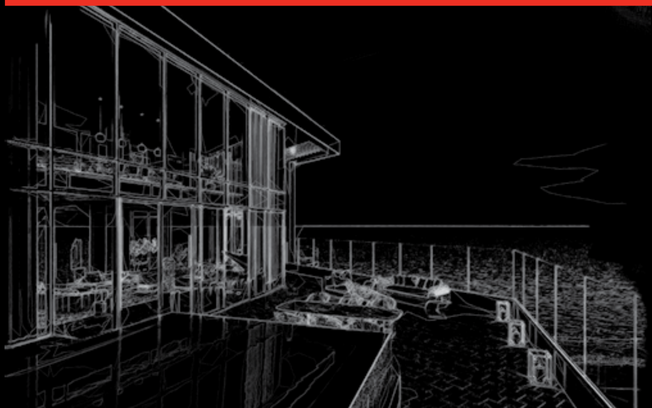
Our Vision
Delivering desirable destinations

	Development	Asset Management
Strategy	**Developer**	**Asset Manager**
	Monetise and activate our land bank while creating leading destinations	Grow a large and diverse real estate portfolio within Aldar Investments
	Be recognised as the developer of choice	Be recognised as the landlord of choice
	Deliver and sell our projects on time, quality and cost	Create superior value in our portfolio
Characteristics	75 million sqm land bank	AED 20 billion asset base under Aldar Investments
	15 projects under various stages of development and handover	Diverse high-quality, asset base across retail, residential, office and hotels
	Stabilised AED 1 billion gross profit	AED 1.6 billion net operating income (NOI) in 2018, set to grow in 2019 to AED 1.7 billion
	1,500 unit annual launch guidance through the cycle	Grow asset management portfolio through investment plan
	7 million sqm approved GFA across our four destinations	Monetise mature recurring revenue assets to unlock and recycle capital
Dividend policy	20-40% pay-out of realised profit on completion of projects	65-80% pay-out of the distributable free cash flow
Debt policy	Up to 25% LTV against costs incurred and land	Maintain gross debt of 35-40% loan to value against assets

Read more about **Development** on page 18

Read more about **Asset Management** on page 24

Mayan, Yas Island

	Strategic priority	2018 Highlights
	**Maximising Aldar Investments value through our recurring revenue assets by driving accretive growth and enabling optimisation of the asset management portfolio**	Resilient performance across asset portfolio 3% growth in NOI to AED 1.6 billion Acquired AED 1.6 billion of operating assets as part of TDIC asset acquisition Maintained 90% occupancy across investment properties
	**Monetising our land bank by launching new developments and enhancing our key destinations: Yas Island, Reem Island and Al Raha Beach & Saadiyat Island**	Achieved AED 2.6 billion in development sales Three new development launches during the year, adding 1,423 units to pipeline Added Saadiyat Island as a key destination through TDIC asset acquisition Awarded AED 1.8 billion in construction contracts Handed over 1,237 homes to customer during the year
	**Optimising our capital structure through a clear and robust financial policy**	Maintained gross debt in line with Aldar's debt policies across asset management and development businesses Spun-off Aldar's recurring revenues assets into a 100% owned subsidiary, Aldar Investments Aldar Investments rated Baa1, the highest, non-government corporate rating in region Successfully issued a 7-year $500 million sukuk under Aldar Investments

Objectives for 2019

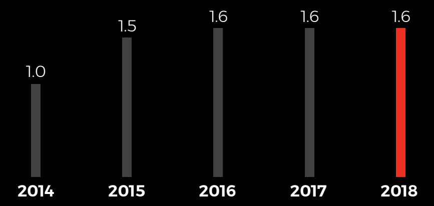
KPIs

NOI guidance of AED 1.7 billion

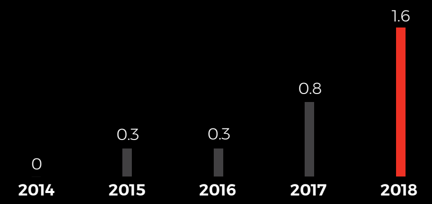
Maintain strong occupancy levels across portfolio

Launch Al Jimi Mall extension

Net operating income (NOI)
(AED BN)



Asset additions to portfolio
(AED BN)

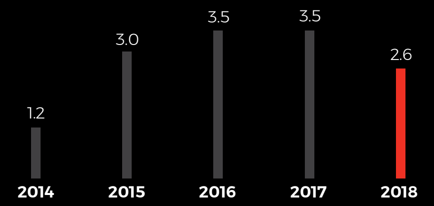


AED 4 billion development sales guidance

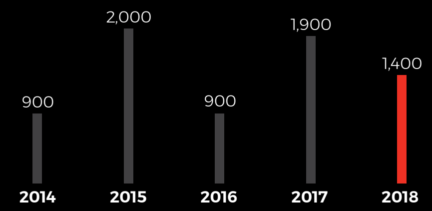
Continue to address the underserved mid-market segment

Complete and commence handover on Mamsha, Jawaher, Mayan and Yas Acres

Development sales
(AED BN)

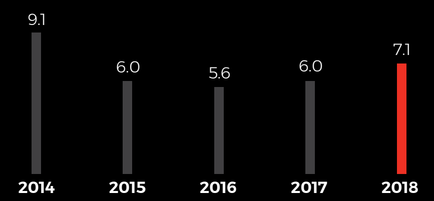


Units launches
(NO OF UNITS)

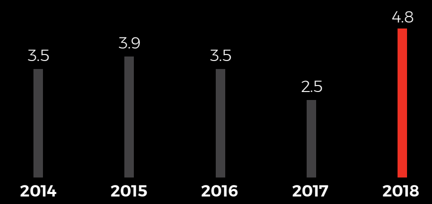


Maintain gross debt in line with debt policies for asset management and development

Gross debt
(AED BN)



Average debt maturity
(YEARS)



DEVELOPMENT MANAGEMENT

The principal activities of the development business are predominantly based around property development and development management.

2018 HIGHLIGHTS

Largest real estate acquisition in the region completed that included two projects under development and prime land plots on Saadiyat Island

AED 2.6 billion development sales during the year

Three major off-plan development launches: Reflection, Alghadeer and Alreeman

1,237 units handed over to customers during 2018

AED 4.2 billion revenue backlog as at 31 December 2018

AED 1.8 billion construction contract awards during the year

78% sold across all units launched for sale

Close to **8,000 residential units** currently under development, focused around key destinations

Commenced handover on completed projects Nareel, Al Merief and West Yas

DEVELOPMENT MANAGEMENT

LAND BANK
Aldar's land bank includes 75 million square metres of land across the Emirate of Abu Dhabi.

The map on page 21 highlights Aldar's key land bank and projects across Abu Dhabi.

During the year there were three major development launches: Reflection, Alghadeer and Alreeman. All developments catered towards the underserved mid-market segment of residential within Abu Dhabi and witnessed significant buyer interest.

DESTINATION DEVELOPMENT
As the master developer, Aldar 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 end-users and investors.

Aldar currently has four key destinations that form a core part of the development strategy, Yas Island, Reem Island, Al Raha Beach and now Saadiyat Island.

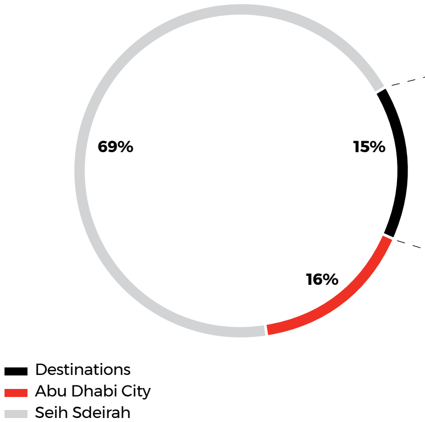
PROPERTY DEVELOPMENT
Aldar's diverse land bank allows the business to maintain an active launch sequence throughout the development cycle. Aldar has a significant development pipeline in place that currently provides visibility out to 2021. The current pipeline includes close to 8,000 units at various stages of development.

During 2018 there were three major development launches: Reflection, Alghadeer and Alreeman. All developments catered towards the underserved mid-market segment of residential units and more recently land plots, within Abu Dhabi.

DEVELOPMENT MANAGEMENT
Further to developing our own land banks and developments, Aldar tenders to project manage third-party developments on a fee basis. There are currently two fee-based projects under development, West Yas in Yas Island and Abu Dhabi Plaza in Kazakhstan.

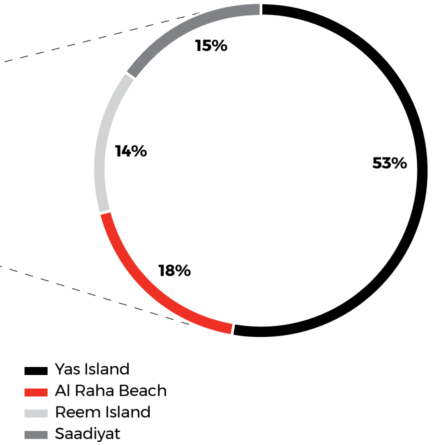
Land bank split

75million sqm

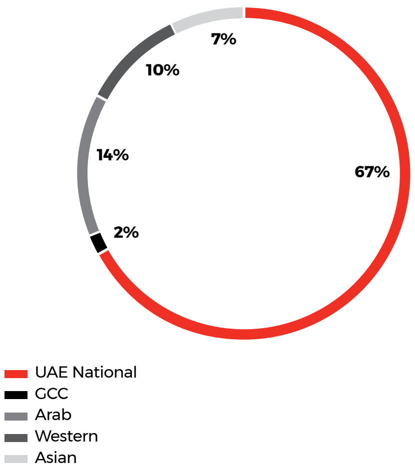


Destinations approved GFA

7million sqm

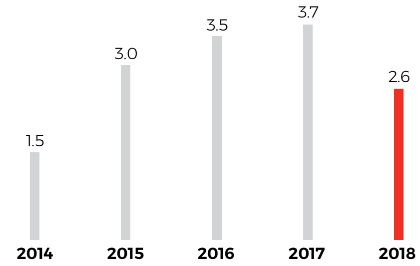


Buyer demographics

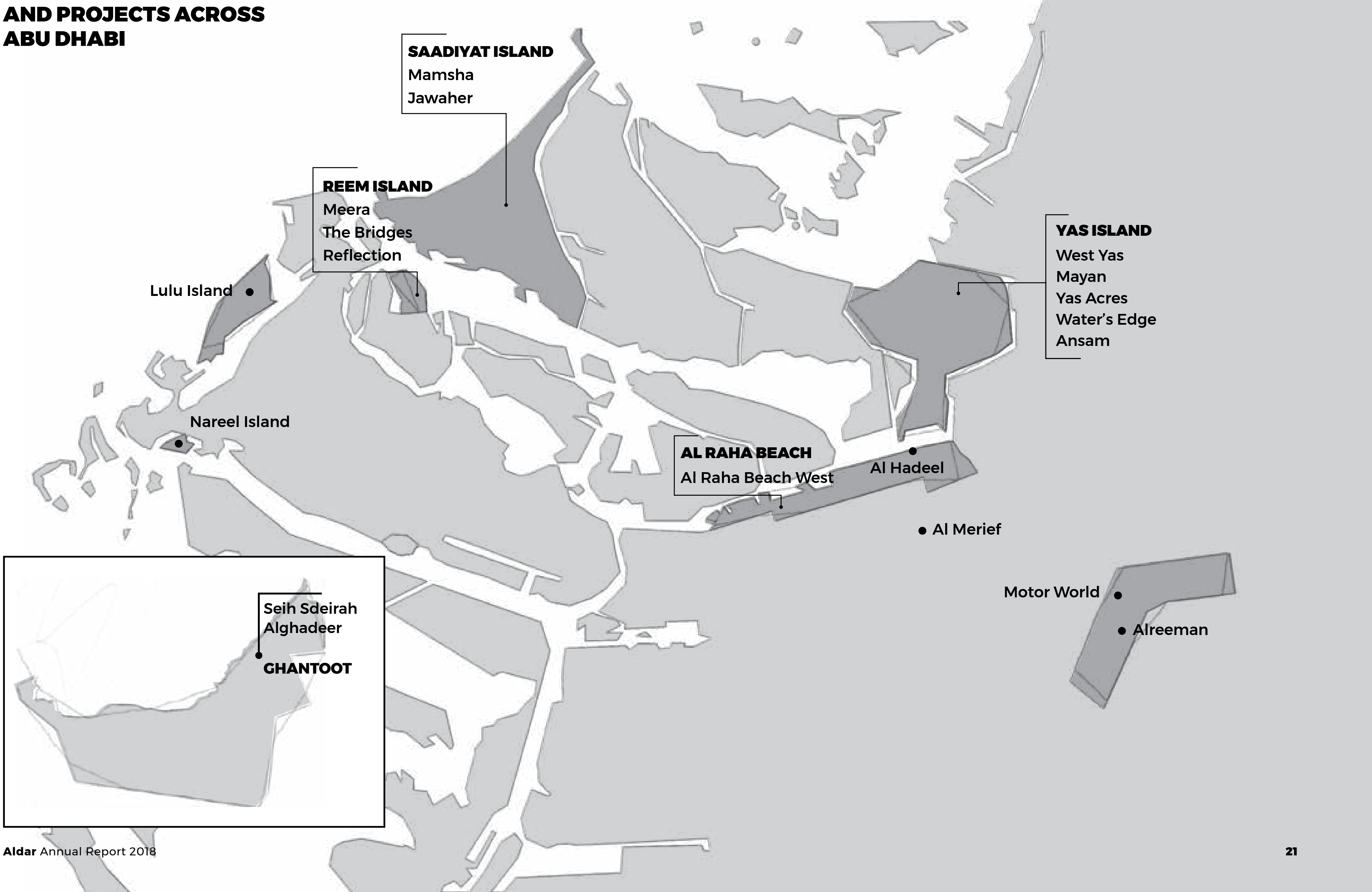


Development sales

AED 2.6bn



ALDAR'S KEY LAND BANK AND PROJECTS ACROSS ABU DHABI



DEVELOPMENT PIPELINE

As the master developer, Aldar 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 end-users and investors.

Al Hadeel

Type: **Prime residential apartments**
Land: **Investment zone**
Location: **Al Raha Beach**
Units launched: **233**
Sold as at 31 Dec 2018: **99%**

Nareel Island

Type: **Exclusive land plots for villa development**
Land: **Non-investment zone**
Location: **Nareel Island, off Abu Dhabi Island**
Units launched: **161**
Sold as at 31 Dec 2018: **60%**

Meera

Type: **Residential apartments**
Land: **Investment zone**
Location: **Reem Island**
Units launched: **408**
Sold as at 31 Dec 2018: **94%**

Mamsha

Type: **Beachfront residential apartments**
Land: **Investment zone**
Location: **Saadiyat Island**
Units launched: **322**
Sold as at 31 Dec 2018: **38%**

COMPLETED

COMMENCED HANDOVER

EXPECTED COMPLETION: 2019

Ansam

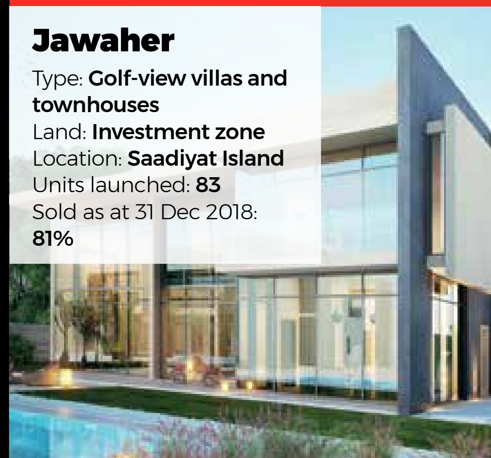
Type: **Prime residential apartments**
Land: **Investment zone**
Location: **Yas Island**
Units launched: **547**
Sold as at 31 Dec 2018: **95%**

Al Merief

Type: **Land plots for villa development**
Land: **Non-investment zone**
Location: **Khalifa City**
Units launched: **281**
Sold as at 31 Dec 2018: **100%**

West Yas

Type: **Villa development**
Land: **Investment zone**
Location: **Yas Island**
Units launched: **1,017**
Sold as at 31 Dec 2018: **80%**



Jawaher

Type: **Golf-view villas and townhouses**
Land: **Investment zone**
Location: **Saadiyat Island**
Units launched: **83**
Sold as at 31 Dec 2018: **81%**

Mayan

Type: **Prime residential apartments**
Land: **Investment zone**
Location: **Yas Island**
Units launched: **512**
Sold as at 31 Dec 2018: **82%**

The Bridges

Type: **Mid-market residential apartments**
Land: **Investment zone**
Location: **Reem Island**
Units launched: **636**
Sold as at 31 Dec 2018: **93%**

Reflection

Type: **Mid-market residential apartments**
Land: **Investment zone**
Location: **Reem Island**
Units launched: **192**
Sold as at 31 Dec 2018: **43%**

Alreeman

Type: **Mid-market residential land plots**
Land: **Investment zone**
Location: **Al Shamka**
Units launched: **524**
Sold as at 31 Dec 2018: **100%**

EXPECTED COMPLETION: 2019/20

EXPECTED COMPLETION: 2020/21

EXPECTED COMPLETION: 2021

Yas Acres

Type: **Villa and townhouse development**
Land: **Investment zone**
Location: **Yas Island**
Units launched: **652**
Sold as at 31 Dec 2018: **66%**

Water's Edge

Type: **Mid-market residential apartments**
Land: **Investment zone**
Location: **Yas Island**
Units launched: **1,236**
Sold as at 31 Dec 2018: **91%**

Alghadeer

Type: **Affordable residential**
Land: **Investment zone**
Location: **Seih Sdeirah**
Units launched: **707**
Sold as at 31 Dec 2018: **52%**

ASSET MANAGEMENT

The principal activities of the asset management business are predominantly based around four key real estate asset classes: residential, retail, office and hotels. In addition to real estate assets, we operate a number of strategic adjacent businesses.

2018 HIGHLIGHTS

AED 1.6 billion net operating income, 3% growth on 2017

Acquisition of **AED 1.6 billion** of income producing assets completed in June 2018 that supported a 9% growth in portfolio

Launch of Aldar Investments, the region's largest diversified real estate investment company, following the transfer of Aldar's high-quality residential, commercial, retail and leisure assets

Steady occupancy of approximately **90%** across retail, residential and commercial portfolios – ahead of wider Abu Dhabi market occupancy levels

Hospitality portfolio steady at **74% occupancy** over 2018, 84% during Q4 2018

Over 14,000 students now attending Aldar Academies' schools in Abu Dhabi and Al Ain, with the addition of Al Rayana School in Al Falah during 2018

Full ownership assumed over property and facilities management business Khidmah following acquisition of the 40% minority stake

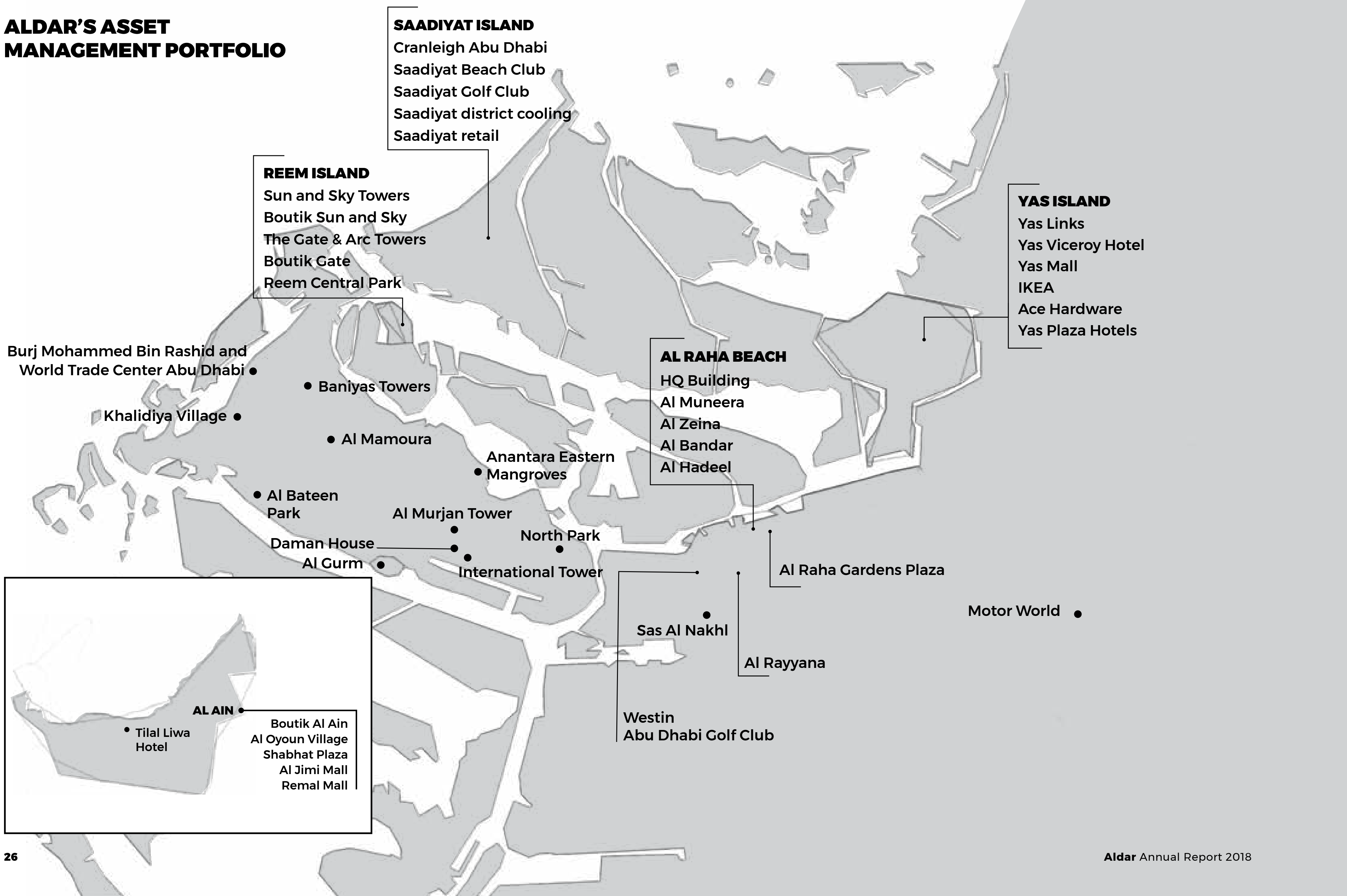
Al Jimi Mall extension and renovation nearing completion and set for opening in Q1 2019

ALDAR INVESTMENTS

In September 2018, Aldar Properties created a new company, Aldar Investments, as a 100%-owned subsidiary. Aldar Investments instantly became the region's largest diversified real estate investment company, following the transfer into this new company of Aldar's high-quality residential, commercial, retail and leisure assets, which were previously part of Aldar's Asset Management business.

Aldar Investments was assigned a Baa1 rating by Moody's, the highest non-Government corporate credit rating, which demonstrated the financial strength of the company and supported the subsequent raising of a US$ 500 million (AED 1.8 billion) sukuk in September 2018.

ALDAR'S ASSET MANAGEMENT PORTFOLIO



RESIDENTIAL

The residential asset management portfolio includes 5,100 residential units as at 31 December 2018.

The residential portfolio includes a wide array of high-quality units ranging from studio apartments to five-bedroom villas. This has allowed the portfolio to appeal to a wide spectrum of the market, with emphasis on high-quality developments with best-in-class amenities.

97% of the units are located within Abu Dhabi City, with a concentration of units positioned between Reem Island and Khalifa City.

The residential portfolio has witnessed significant growth over the last five years with the completion and subsequent handover of two major residential developments in 2014, Al Rayyana and The Gate Towers, collectively adding approximately 3,000 units to the portfolio. In 2018, close to 300 units were acquired as part of the TDIC asset acquisition and are now included in the portfolio.

Residential WAULT (years)

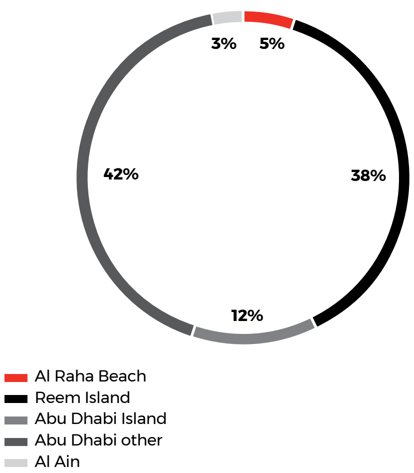
4.2

As at 31 December 2018, there are two projects under development that will support further growth of the residential portfolio. The Bridges and Water's Edge will expand Aldar's offering to provide a high-quality mid-income positioned rental product with the latter also bringing capacity onto Yas Island.

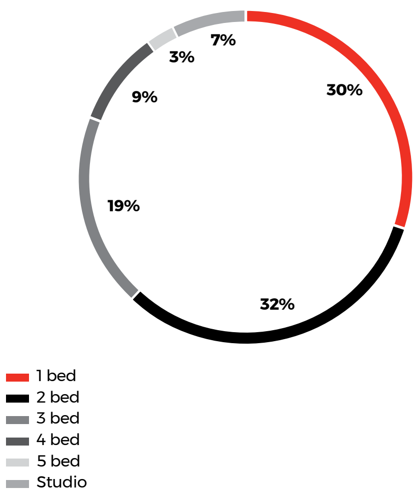
The residential strategy has focused on diversifying the tenant mix between individuals, which are typically on renewable one-year rolling leases and bulk multi-year leases with corporate tenants. As at 31 December 2018, bulk deals represented 38% of the units in the portfolio, with the tenures ranging between three-30 years. The weighted average unexpired lease term (WAULT) as at 31 December 2018 was 4.2 years.

Occupancy performance of the residential portfolio has been supported by continued demand for high-quality, residential properties that also provide a diverse offering of amenities. As at 31 December 2018, residential occupancy across the portfolio stood at 88%.

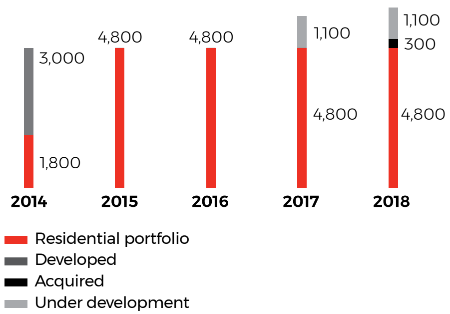
Residential – location split



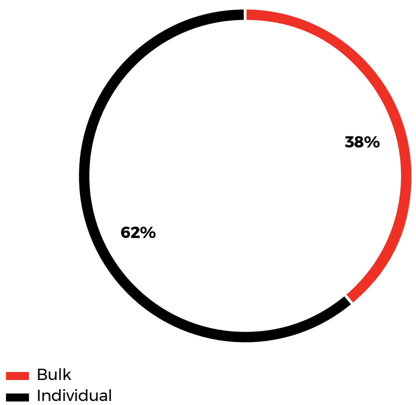
Residential – unit split



Residential units evolution



Residential – type split as at 31 Dec 2018



RETAIL

Our retail portfolio includes 440,000 square metres gross leasable area (GLA) across 25 assets within the Abu Dhabi metropolitan area and Al Ain.

The retail strategy is predominantly split between community retail, which offers Aldar community residents key amenities, such as supermarkets, cafes, banks and hairdressers, as well as destination retail, which provides a much broader retail and entertainment offering, such as Yas Mall and Al Jimi Mall. Other retail incorporates our big box retail, such as IKEA and Ace Hardware.

The main addition to our retail portfolio in recent years was the handover of Yas Mall in 2014. As at 31 December 2018, the AED 0.4 billion 30,000 square metres GLA expansion of Al Jimi Mall is now in the final stages of handover and is expected to open during early 2019.

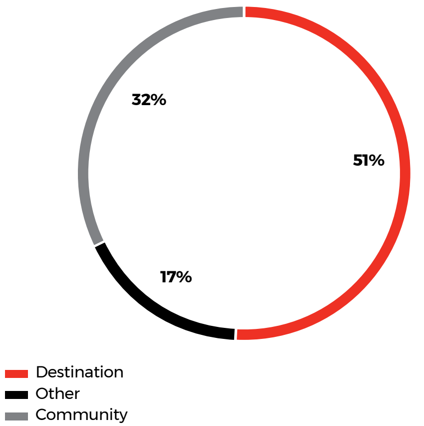
Occupancy across the retail portfolio as at 31 December 2018 was 88%. The weighted average unexpired lease term as at 31 December 2018 was 3.5 years.

YAS MALL

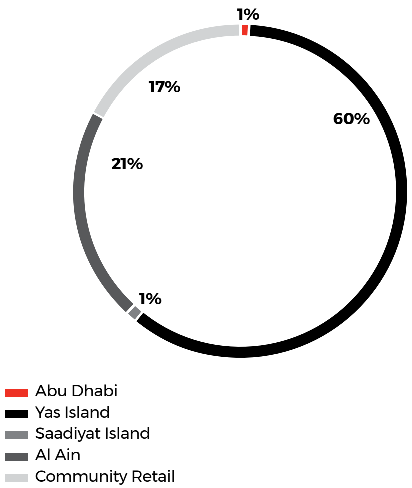
Yas Mall is the flagship asset in the retail and asset management portfolio. Yas Mall is located in the centre of Yas Island, within close proximity to the key leisure and entertainment offerings on the island.

Opened in November 2014, Yas Mall lifted the Abu Dhabi retail offering with the first true super-regional mall experience in the Emirate. The mall has now completed four years of trading and occupancy standing at 89% as at 31 December 2018.

Retail – type split

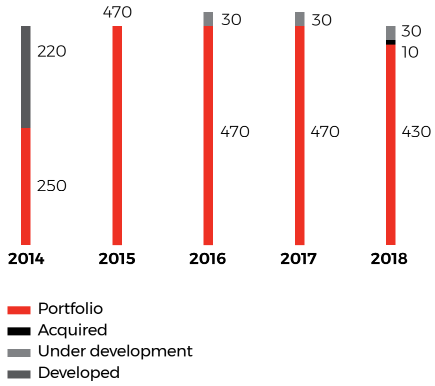


Retail – location split

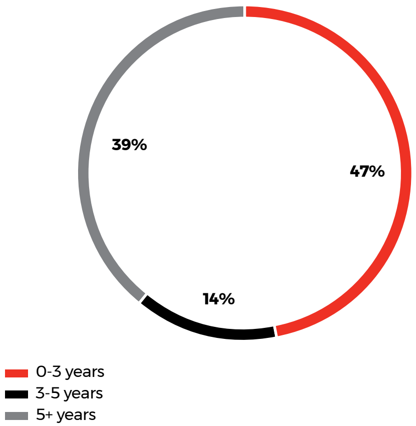


Retail GLA evolution

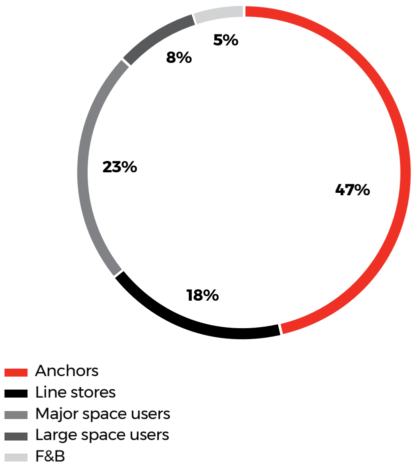
('000 SQM)



Yas Mall – remaining lease length



Yas Mall – retail split



Retail WAULT (years)

3.5

COMMERCIAL

Our commercial portfolio includes close to 310,000 square metres GLA, predominantly focused around Grade A office building space.

The office portfolio is predominantly leased on a long-term basis to Government and Government-related entities, which is representative of the Abu Dhabi commercial office tenant market. Leases to corporate tenants represent approximately 24% of the total GLA. The commercial strategy is to maintain high-quality commercial space and build long-term relationships with tenants.

As at 31 December 2018, the Weighted Average Unexpired Lease Tenure (WAULT) was 4.1 years.

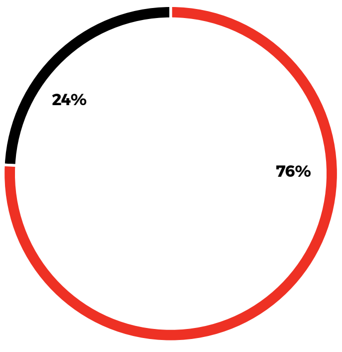
A majority of our commercial portfolio is high-quality Grade A and Grade B space. The office portfolio is predominantly based on Abu Dhabi Island.

During the year, two retail assets with total GLA of approximately 45,000 square metres were reclassified as commercial. No further assets were acquired or developed during 2018. Office occupancy stood at 94% as at 31 December 2018.

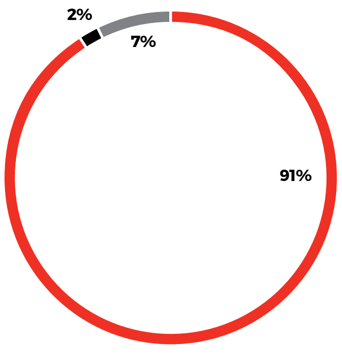
Commercial WAULT (years)

4.1

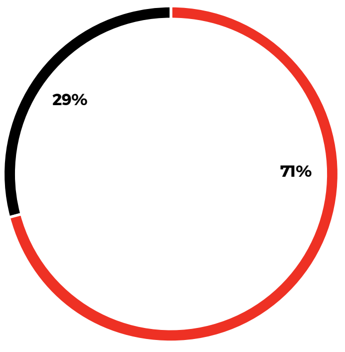
Commercial - tenant split



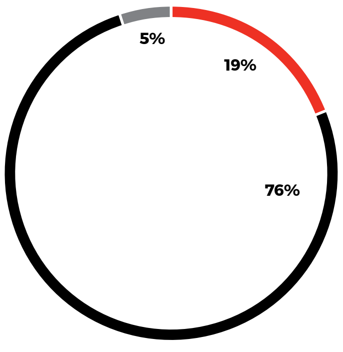
Office - lease duration split



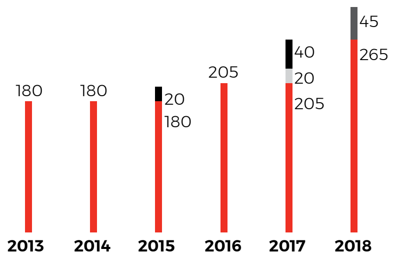
Office - type



Office - location split



Commercial GLA evolution
('000 SQM)



HOTELS

Our hotel portfolio includes 2,900 room keys across 11 hotels and serviced apartments across the Emirate of Abu Dhabi, centered around Yas Island.

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 42% of the portfolio by number of keys.

With 77% of our hotel keys located on Yas Island, our core strategy remains focused on continued activation of the island through major events and promotion, working alongside the relevant bodies to achieve this strategy.

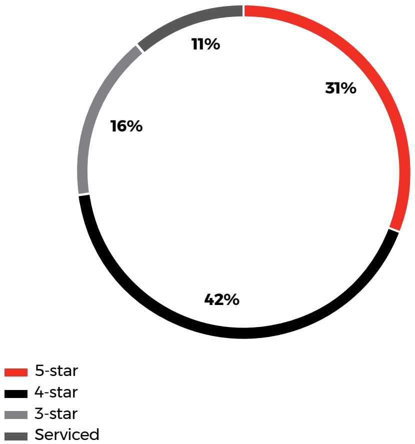
Aldar does not operate the hotels, instead employing reputable international operators through hotel management agreements (HMA) to manage the day-to-day operation of the assets. These HMAs include certain performance metrics to align the interests of the operators with Aldar to encourage optimal performance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

Hotel occupancy for 2018 full year was 74% (2017: 78%), ahead of the wider Abu Dhabi market of 72%. Moreover, due to the seasonality attributed to the hospitality sector, hotels generally perform better during high season of October to April. Aldar's hotels occupancy in Q4 2018 was 84%.

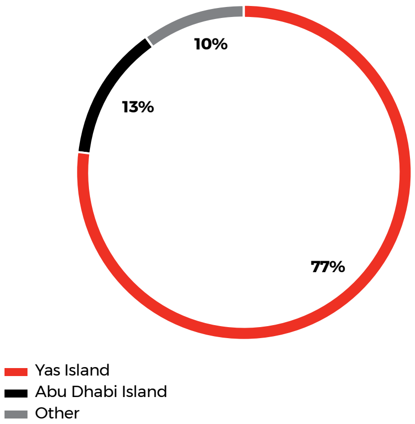
ADJACENT BUSINESSES

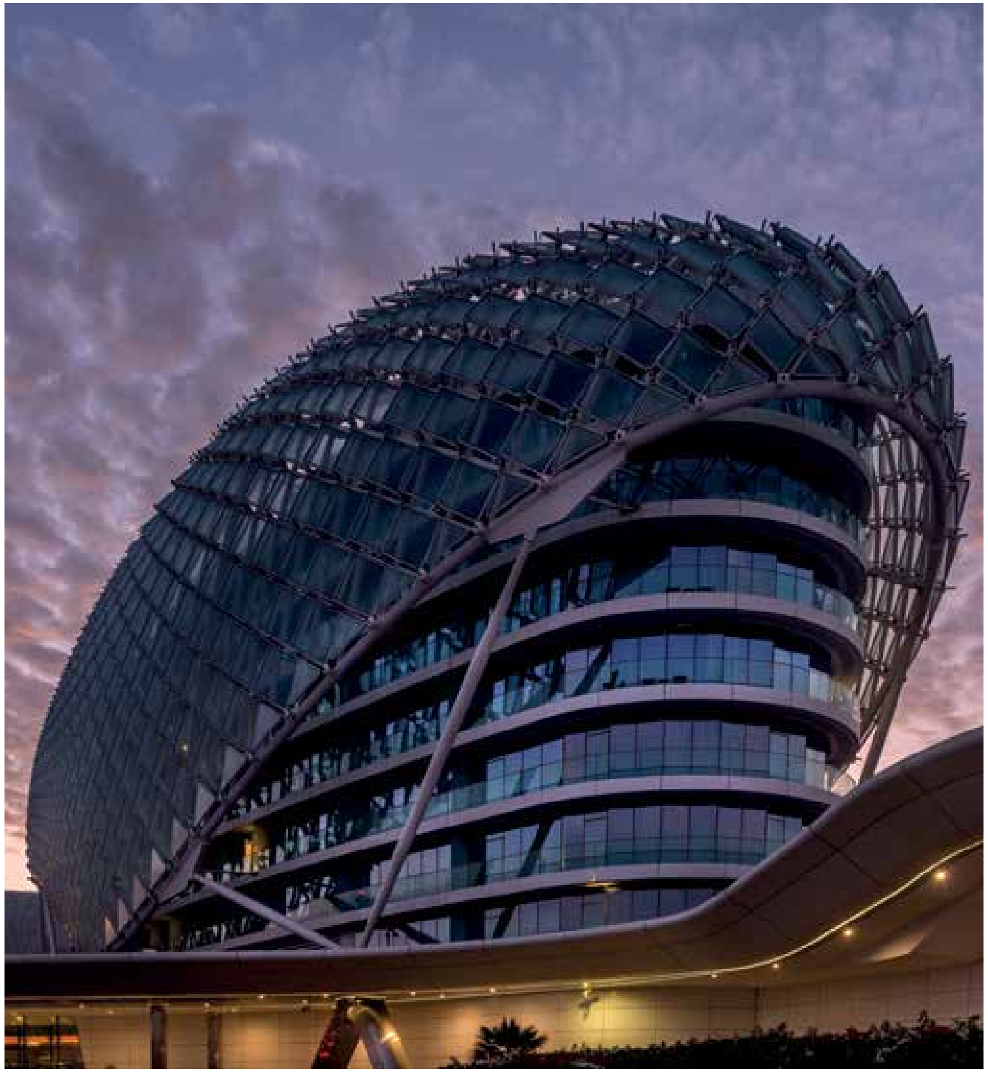
Further to our asset management division's core strategy to invest in key real estate sectors, the business also holds a number of key investments across the real estate value chain. These include Khidmah (property and facilities management), Pivot (construction), destination development through education (Aldar Academies and Cranleigh) and district cooling.

Hotels – type split by keys



Hotels – location split by keys





Reflection, Reem Island

BUILDING A MORE SUSTAINABLE FUTURE

DEVELOPING A ROBUST SUSTAINABILITY PLATFORM

Operating in a responsible and sustainable manner – in the best interests of our diverse internal and external stakeholders – is a strategic imperative and focus for Aldar.

As part of the ongoing development of Aldar's sustainability vision, during the year we engaged with key internal stakeholders in a comprehensive materiality assessment, in order to accurately evaluate sustainability throughout the organisation and to create a robust baseline for ongoing sustainability reporting. This process was based on Global Reporting Initiative (GRI) standards, a reporting framework followed by organisations around the world to disclose their company-level performance on key Environmental, Social and Governance (ESG) issues.

Eighteen internal stakeholders took part in a materiality workshop over one month, using a real-time online assessment tool to evaluate and prioritise sustainability topics. A wide range of topics relevant to the Company's operations, strategy, community needs and the construction and real estate sectors, as well as those that are critical in influencing stakeholders' decision-making and their perceptions of the Company, were reviewed. The resulting shortlist of 23 topics was organised into economic, social and environmental categories, and further evaluated and ranked.

Aldar also undertook a peer analysis exercise, which reviewed the sustainability commitments of regional and international real estate and construction sector competitors considered to be of a high standard with regards to sustainability reporting. This analysis was further reviewed alongside the UAE's Sustainable Development Goals and UAE Vision 2021.

SUSTAINABILITY MATERIAL TOPICS

ENVIRONMENTAL

- Materials
- Energy
- Water
- Biodiversity
- Effluents & Waste
- Emissions
- Supplier Environmental Impact Screening

SOCIAL

- Labour/Management Relations
- Occupational Health & Safety (OHS)
- Human Rights Assessment
- Workforce Management
- Diversity & Equal Opportunities
- Local Communities
- Customer Satisfaction
- Supplier Social Impact Screening
- Local Procurement
- Impact on Local Infrastructure & Cultural Elements

ECONOMIC

- Economic Value Generated & Distributed (EVG&D)
- Indirect Economic Impacts
- Financial Implications
- Local Hiring (nationalisation and youth development)
- Infrastructure Investments & Services Supported
- Market Presence

ALDAR'S SUSTAINABILITY MATERIALITY MATRIX

As a result of this in-depth process, the Company's materiality matrix was developed, which revealed the material issues related to sustainability facing Aldar today.

Mapping Aldar's data against industry peers, the matrix identified that the topics perceived to have the highest impact on the environment, society and the economy were: OHS, EVG&D, Energy, Infrastructure Investments and Services Supported, and Financial Implications.

As part of Aldar's holistic approach to the Company's sustainability performance disclosure, detailed internal stakeholder reviews were conducted across all departments within the organisation, covering all parts of the operational chain.

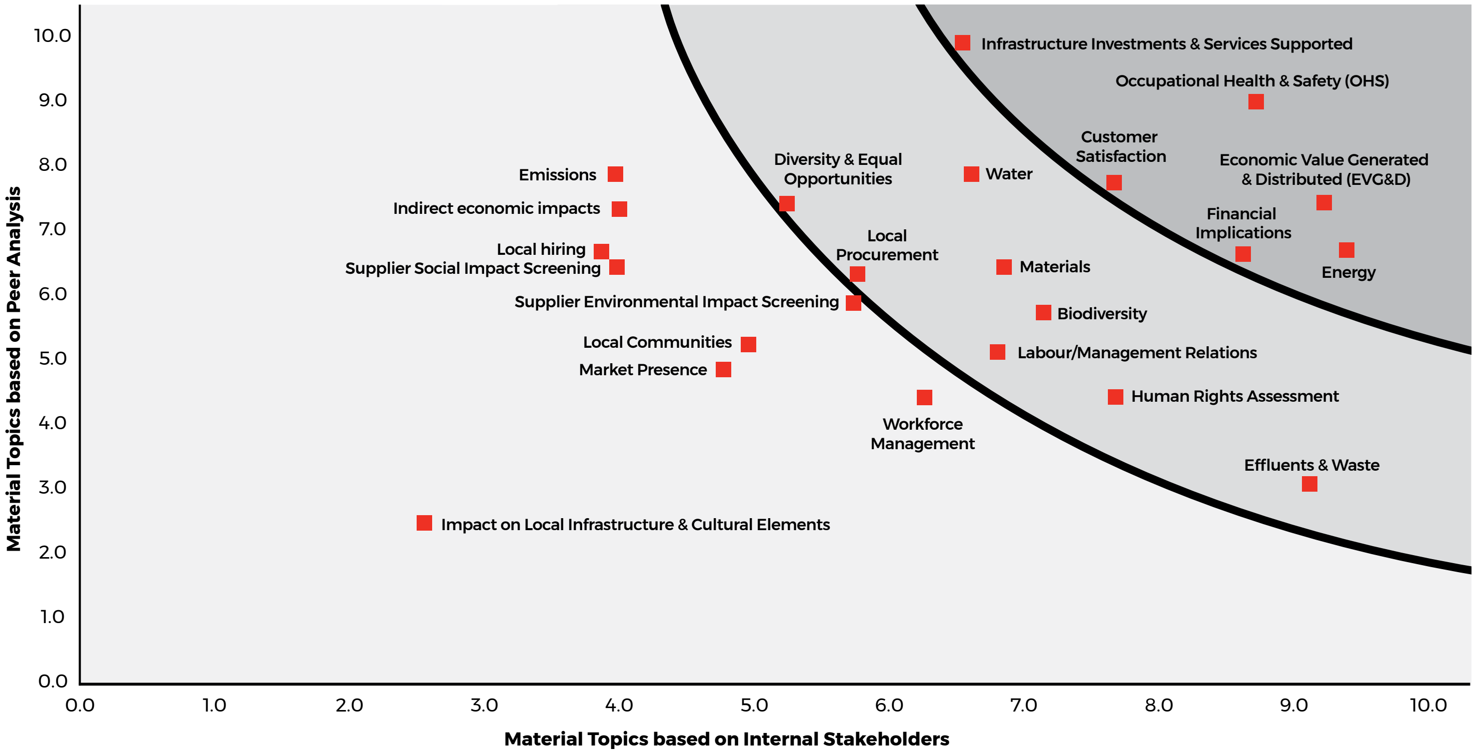
As the final phase in the materiality assessment process, the matrix was presented to and reviewed by Aldar's management to validate and approve the final list of material topics.

A SOLID FOUNDATION FOR ALDAR'S COMMITMENT TO SUSTAINABILITY

Data collection from the key sectors identified during the materiality validation process is underway, and will be used to align Aldar's sustainability strategy and decision-making with stakeholders' goals, while also benchmarking against national and international standards.

This data will also form the basis of a detailed Sustainability & CSR Report, which will be developed during the first quarter of 2019. As Aldar's first Sustainability & CSR Report, this publication will open a transparent dialogue with the Company's stakeholders, while establishing a legacy for relevant and impactful CSR and sustainability reporting for the Company.

Looking to the future, Aldar is committed to regularly reviewing and updating its materiality topics in order to maintain a dynamic dialogue between the Company and all its stakeholders on the issues affecting the organisation. This will also provide a solid foundation for the Company's ongoing sustainability assessment, strategy and reporting.



FRAMING ALDAR'S SOCIAL RESPONSIBILITY TO ITS COMMUNITY AND ENVIRONMENT
Aldar has taken a proactive approach to CSR since the Company was founded in 2004, with sustainability and community values embedded within the organisation's day-to-day operations and overall brand.

By focusing on activities that create a positive impact on its community, environment and diverse stakeholders, Aldar's CSR framework supports the Company's key strategic goals and core business objectives, while creating business value and boosting levels of stakeholder trust. This framework is built upon two pillars:

COMMUNITY

Aldar recognises its responsibility towards its wider community, which encompasses customers, community residents and visitors, employees and other various stakeholders, and aims to create a positive impact on all members of this community.

Aldar will achieve this goal by operating in a way that maximises quality of life and happiness levels within its community.

ENVIRONMENT

Aldar aims to support the long-term social and ecological balance of its communities, by ensuring that it does not harm the way its communities function, does not damage the natural environment or ecology and does not deplete essential natural resources.

Aldar will achieve this goal through measuring and reducing its carbon footprint, increasing environmental awareness and regularly reporting on its sustainability journey.

MAKING A DIFFERENCE THROUGH DIVERSE CSR INITIATIVES IN 2018

Throughout 2018, Aldar conducted a range of CSR activities that focused on the pillars of its CSR framework: community and environment.

At a Company-wide level, these initiatives included: awareness campaigns for Autism Week; support for the Make a Wish Foundation; a partnership with World Wildlife Fund (WWF) to promote awareness about the dangers of plastic to marine life; and a plastic-free day across restaurants in Aldar communities.

Aldar's residential, educational and commercial projects also focused on localised CSR initiatives that aimed to benefit and directly involve the communities they serve. These included: family days at Al Muna Academy; community volunteering programmes at Al Bateen Academy; school uniform sales to benefit the UAE Red Crescent and Save the Rainforest in Al Ain Academy; and "Pink Day" at Al Mamoura Academy.

Two major CSR initiatives undertaken by Aldar in 2018 were the Company's partnership with the Special Olympics World Games and its ongoing support for Sandooq Al Watan, a ground-breaking social initiative that creates opportunities for Emiratis and cohesion within UAE society.

SPECIAL OLYMPICS WORLD GAMES ABU DHABI 2019
In March 2018, Aldar announced its official partnership with the Special Olympics World Games Abu Dhabi 2019, which will be taking place in Abu Dhabi between 14 and 21 March 2019.

The sponsorship fulfilled a number of Aldar's key strategic CSR objectives, including:

- Embedding community values into the Company's brand and day-to-day operations
- Engaging Aldar's employees through employee volunteer programmes
- Taking part in the event and raising awareness
- Creating business value

As an Official Partner to the event, Aldar has pledged hotel rooms and event space at the Yas Links Golf Club and free access to Yas Parks for competing athletes and their coaches. To support the event's impact and reach, Aldar will help to recruit volunteers and engage residents and visitors to its communities, schools and malls before and during the event.

The Company also gave away Yas Mall vouchers to over 30 participants who took part in every session and collected every stamp in Walk Unified. It also pledged to place Special Olympics symbols on Yas Island, ensuring the brand is visible by planes landing at Abu Dhabi Airport, and will erect landmarks in honour of the event and its athletes at key locations across Abu Dhabi.

SANDOOQ AL WATAN
One of the world's largest social initiatives, Sandooq Al Watan (or National Fund) aims to develop the UAE economy by supporting social entrepreneurship and cohesion, in line with the UAE leadership's vision for sustainable development.

As a major donor to Sandooq Al Watan, Aldar's support focuses on the pillars of education and community through a range of development activities, which in 2018 included:

- Emirati Coder Programme: A fun and interactive programme designed to teach children aged seven to 14 the basics of computer coding. Covering nine cities across the UAE, the original plan was to teach 1,000 Emirati children by 2020, however, the programme was so successful that 1,300 children were trained in 2018 alone, all scoring over 70% in their final evaluation. A new target for the project aims to upskill 3,000 UAE Nationals, as well as enrolling the top-performing students into advanced programmes in coding and artificial intelligence.
- Mawhibatna Summer School Programme: This intensive programme delivered an advanced, university-level STEM curriculum to academically-gifted Emirati students in grades 6 to 8 over the summer period. The pilot programme, taught by the John Hopkins Centre for Talented Youth, one of the world's finest educational establishments, focused on 50 Abu Dhabi students and delivered exceptional results. Building on this early success, the programme's next cohort will include 360 pupils, and plans are in place to expand the programme across all seven emirates and all age groups.

Other Sandooq Al Watan initiatives supported by Aldar during the year, including a spring break programme at Aldar schools, funding for research and funding for innovation, have touched the lives of over 3,000 UAE Nationals.

"THE SUCCESS OF SANDOOQ AL WATAN OVER THE LAST TWO YEARS IS LARGELY DUE TO THE SUPPORT OF ITS DONORS, ESPECIALLY ALDAR, WHICH IS AN INTEGRAL PART OF SANDOOQ AL WATAN THROUGH ITS DONATIONS AND ALSO ITS INVOLVEMENT WITH THE ACTUAL OPERATIONS AND ON-GROUND CONTRIBUTIONS, WHICH IS HIGHLY VALUED."

Mohamed Taj Aldeen Al Qadhi
Director General, Sandooq Al Watan

PROTECTING HUMAN RIGHTS AND THE WELFARE OF PEOPLE

Aldar has put in place a stringent human rights and worker welfare mechanism, both at the procurement stage and throughout projects' lifecycles. A code of conduct for health and safety, human rights, labour management and compliance with local laws is included within RFPs and contracts, with vendors and suppliers expected to comply with all criteria. During projects, ongoing training and awareness sessions are provided to vendors by Aldar, if required.

As an example of Aldar's worker welfare mechanism in action, Aldar enables sub-contractors to contact the Company directly regarding any issues related to delayed salary payments, bypassing the primary contractor. In these cases, workers' salaries are paid directly into their bank accounts with the equivalent costs deducted from the contractor's overall fees.

DRIVING SUSTAINABLE INNOVATION FOR THE ORGANISATION AND THE GREATER GOOD

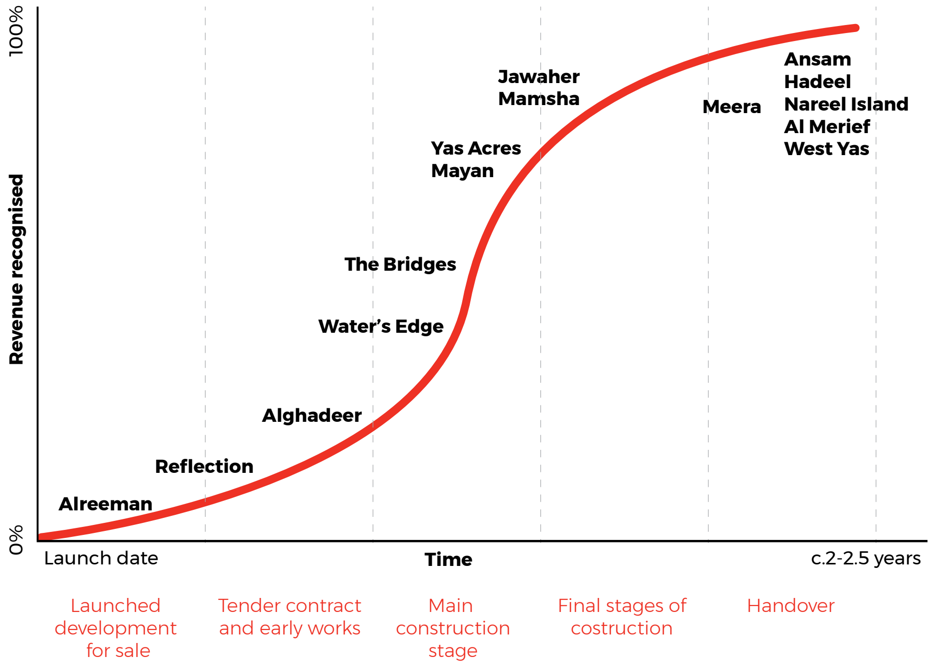
Aldar's Ibtikar (or innovation) programme encourages all employees to play an active role in the future growth and direction of the Company, inviting them to develop ideas that address some of the key challenges affecting the organisation.

Each cycle of the programme poses a series of challenges and overall themes, with staff submitting creative pitches that are judged against 10 criteria, which evaluate their potential positive impact and alignment with Aldar's vision and strategy.

An example of a challenge addressed through Ibtikar is the intelligent use of water. Using a water supplier contract for Alghadeer we developed a smart irrigation system, which uses data from Aldar-owned weather stations to calculate and deliver the ideal amount of water needed to irrigate plants in this neighbourhood. When implemented across Aldar residential developments, this system has the potential to deliver substantially improved water efficiency and up to AED 7.6 million per year of savings to the Company.

2018 has been another great year for Aldar, supported by a number of strategic initiatives that have started to feed into our financial performance over 2018 and will support further growth from 2019. Our financials remain robust, with solid revenue and net operating income growth of 2% and 3%, respectively, that delivered stable gross profit performance.

Development revenue based on progress of completion



A DEVELOPMENT FRANCHISE

Our development business continues to perform, supported by a diverse development pipeline at various stages of construction and new development launches that provide visibility on future revenues. This truly illustrates a large, valuable franchise that dominates and continues to go from strength to strength.

AED 4.2 BILLION DEVELOPMENT SALES BACKLOG AS AT 31 DECEMBER 2018

Following three development launches during the year, our development pipeline now includes close to 8,000 units and is 80% sold. Over the past 18 months we have moved into handover mode and have now handed over or are in the process of handing over six developments.

1,237 RESIDENTIAL UNITS HANDED OVER IN 2018

Development sales during the year amounted to AED 2.6 billion, supported by our three new launches and proactive sales across existing projects nearing completion. The Emaar strategic partnership and recent asset acquisition taking us onto Saadiyat Island have strengthened our development position and capability, and this will truly start to translate into financial performance from 2019.

For 2019, we see new opportunities where there is pent up demand. As such, we have increased development sales guidance to AED 4 billion, having tested the market with Alreeman earlier this year, which was an outstanding success.

RESILIENT ASSET MANAGEMENT PERFORMANCE, PRIMED FOR GROWTH

Our asset management business saw a resilient performance over 2018, with growth in net operating income of 3% supported by recent asset additions and optimising performance across our existing portfolio.

This asset management business today features close to AED 20 billion in high-quality real estate assets across residential, retail, office and hotels that act as a proxy for real estate in Abu Dhabi, one of the few remaining "AA rated" economies globally. Abu Dhabi will remain at the core of Aldar's growth strategy and we see further growth in this business, supported by an investment plan and active monitoring of the market for acquisition opportunities.

AED 1.6 BILLION NET OPERATING INCOME IN 2018

In 2019, we expect to see growth from our asset management business, driven by the full-year impact of the TDIC asset acquisition and Al Jimi Mall extension that will open in early 2019, and as such have set net operating income guidance at AED 1.7 billion.

ANNOUNCEMENT OF ALDAR INVESTMENTS

Over the past few years we have developed our disclosures, policies and guidance to better describe and communicate our two unique core businesses, Asset Management and Development Management. We continue to believe that our two core franchises operate independently from one another and we have reflected that fact in the way we manage the two businesses.

During 2018, we further evolved down this path with the creation of the region's largest diversified real estate investment company, Aldar Investments. Operating as a 100%-owned subsidiary of Aldar Properties, substantially all of Aldar's recurring revenue real estate assets and operating assets were transferred into Aldar Investments in September 2018. This new structure has already created value for shareholders, with the successful issuance of a new seven-year sukuk in September, following its Baa1 rating by Moody's. This credit rating is the highest for a non-Government corporate in the region, reflecting our solid fundamentals and strong asset base.

FINANCIAL FLEXIBILITY

Our financial position as at 31 December 2018 remains solid. The Group continues to generate strong operating cash inflows, particularly on the development business as we complete developments and commence customer handovers where we collect final instalments.

Following the significant TDIC asset acquisition during the year, gross cash stood at AED 5.0 billion as at 31 December 2018. The Group remains well funded and has strong liquidity through existing undrawn debt facilities of AED 4.7 billion.

Gross debt as at year end was AED 7.1 billion. In line with our Asset Management and Development business' debt policies that support maintaining investment grade credit rating, debt is directly attributed against both businesses.

GOVERNMENT INFRASTRUCTURE HANDOVER PROGRAMME NOW COMPLETE

During the year, Aldar recognised AED 0.8 billion in other income (see note 29). A majority of this other income represents the handover of infrastructure to Government of Abu Dhabi following historical agreements to transfer these Aldar developed assets to government on an arm's length basis. Following 2018 handovers, the programme is now broadly complete.

COMMITMENT TO SHAREHOLDER RETURNS

Our dividend policy provides transparency and visibility on shareholder returns. This dividend policy and pay-out is based on the performance of both the asset management and development businesses.

In 2018, the recommended dividend was raised 2 fils to 14 fils per share, representing a 17% increase on 2017, with a proposed total payout of AED 1.1 billion. This increase was supported by the resilient performance of our asset management business, that represented approximately 80% of the total dividend amount declared and the realisation of cash profit on the development business as it moves into handover mode.

The dividend policy is based on a 65-80% pay-out on distributable free cash flow from asset management business plus a 20-40% pay-out on realised cash profit from development business upon handover of developments.

Greg Fewer
Chief Financial Officer
13 February 2019

Allocation of debt between businesses

	ASSET MANAGEMENT	DEVELOPMENT MANAGEMENT
DEBT POLICY	**DEBT POLICY 35-40% LTV (37.5%[2])**	**DEBT POLICY <25% LTV (4.8%[2])**

Dividend policy

		Asset Management business		Development Management business
POLICY	PAY-OUT FACTOR	Distribute free cash flow		Realised profit
POLICY	RANGE	65-80%		20-40%
METHODOLOGY/KEY DRIVERS		Net operating income less: Interest expense Maintenance capex overheads	+	Upon completion and handover of development

RISK MANAGEMENT

Aldar has an established Enterprise Risk Management (ERM) function to ensure effective management of all risks that have the potential to hinder the Company from achieving its strategic objectives.

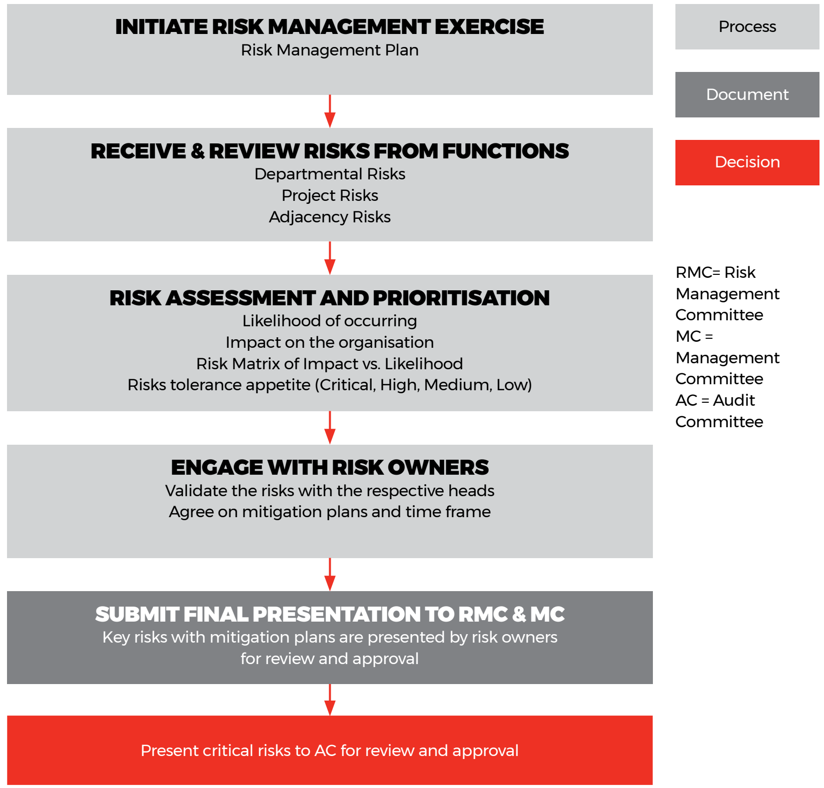
A dedicated ERM team is responsible for helping the Company's business units to identify, assess and put in place control plans for existing and emerging risks. It regularly conducts comprehensive reviews of best practices and benchmarks against other companies in the market with robust ERM activities.

Primarily, a bottom-up approach is used for business unit-specific risks, while enterprise-wide risks rely on a top-down approach.

Each risk is identified and assessed through an impact and likelihood matrix to prioritise its importance. The identified risks with their relevant mitigation plans are escalated to different hierarchical committees according to pre-defined criteria and mandates. The ERM team continuously monitors, liaises and follows up with risk owners for updates and progress on mitigation plans until the risk matches the agreed risk appetite.

Aldar has Board-approved Risk Management Charter and Policy & Procedure documents in place, which are periodically reviewed and updated. The meetings of the various mandated committees are convened periodically, which has helped to improve the function across the Company. Aldar's Board and management firmly believe in continuous improvement and will persist to build on this solid foundation to strengthen risk management.

Risk management procedure



RISK MANAGEMENT FRAMEWORK

Aldar's Risk Management Framework is highly linked and adapted to its business model, using the widely-accepted COSO enterprise risk management framework as its foundation.

Risks are classified into the following four categories:

- **Strategic:** High-level risks that can have a direct impact on the Company's strategic objectives.
- **Operational:** Risks related to performance, customers, and the effective and efficient use of resources.
- **Financial:** Risks that can have a direct impact on the Company's earnings and cash flow.
- **Reporting & Compliance:** Risks related to the reliability of reporting and compliance with applicable real estate-related laws and regulations.

THREE LEVEL COMMITTEE STRUCTURE

Aldar's ERM Charter specifies three levels of reporting. The business units, through the ERM team, raise the risks and updates to be considered by the Risk Management Committee according to certain defined thresholds. These risks are presented to Executive Management and thereafter to the Audit Committee in line with risk level hierarchy. The ERM team continuously liaise with the risk owners and periodically report to relevant committees.

The periodic reporting mechanism as per risk level hierarchy is as follows:

Level C	**Critical Risks** Report to Audit Committee
Level B	**High & Critical Risks** Report to Executive Committee
Level A	**All Levels of Risks** Report to Risk Management Committee

Risk management framework

Risk Governance

Board
- Sets the tone and culture towards effective risk management
- Approves ERM framework
- Agrees on the entity's risk appetite

Top-down
Identification, assessment, mitigation and oversight of risk at Company level

Three levels committees

Risk Management Committee (RMC)
- Develops risk management framework
- Reviews the presented risks along with relevant assessments and mitigation plans
- Monitors the effectiveness and progress of mitigation plans
- Approves deliverables and recommendations to the MC

Executive Management Committee (MC)
- Reviews high and critical risks
- Evaluates the existing action plans and the proposed mitigation plans
- Assists in identification of principal and emerging risks
- Reviews and endorses internal controls in treatment plans for operational effectiveness
- Makes requisite recommendations to AC

Audit Committee (AC)
- Reviews critical risks
- Monitors the effective functioning of the Risk Management Committee (RMC)
- Provides key highlights to the Board as part of AC's annual report

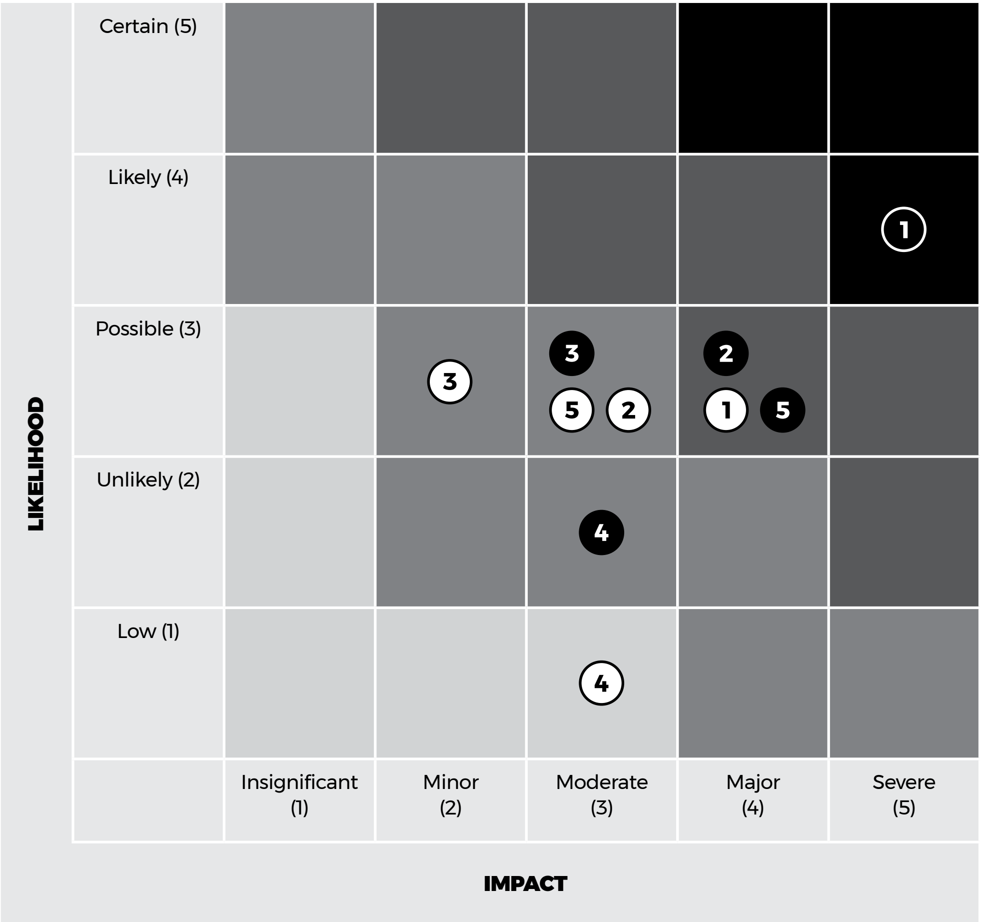
Bottom-up
Identification, assessment and mitigation of risk at a business unit and functional level

Risk Ownership

Business units and risk owners
- Identify and assess risks
- Monitor the risks
- Ensure effective and timely mitigation plans

PRINCIPAL RISKS

Principal risks heat map



1. Market cyclicality
2. Geographical concentration in the Emirate of Abu Dhabi
3. Talent retention
4. Health and safety
5. Information systems and cyber threat

● Before mitigation plans
○ After mitigation plans

Risk Level	Scores	Mitigation Plan Requirement	Recommended Actions
Critical	20 to 25	• Mandatory for all risks	• Treat (Reduce) • Transfer • Terminate
High	10 to 16		
Medium	4 to 9	• Risks rated ≥8 are assessed on a case-by-case basis • Not mandatory for risks rated <6 as risks can be tolerated	• Tolerate (Accept)
Low	1 to 3	• Not mandatory as risks can be tolerated	

The Risk	Risk Analysis	Treatment Plan
Strategic: High-level risks that can have a direct impact on the Company's strategic objectives		
1. Market cyclicality **Risk Owner** Acting Chief Development Officer & Chief Investment Officer	• Ability for Aldar to effectively respond to local and regional real estate market volatility and cycles **Consequences** • Potential negative impact on launching of new developments and performance of asset portfolio. • Potential negative impact on profitability, cash flows, asset valuations, debt / capital and credit rating.	The Company is actively implementing the risk treatment plan: **Developments Projects** • Ensure accurate and appropriate business plans are in place to anticipate customer preferences. • Launch projects in phases to reduce cashflow exposure. • Product diversification. • Enhanced market readiness to capitalise on any opportunity via infrastructure enabled lands. **Asset Portfolio** • Focus on improving retail tenant trading performance through proactive leasing and targeted marketing initiatives. • Full merchandising strategy in retail assets; zoning and category optimisation, sustainable pricing and innovative re-purposing. • Cost saving through energy audit and energy saving initiatives. • Enhancing customer experience through cross-selling across asset classes and introduction of loyalty programmes.
2. Geographical concentration in the Emirate of Abu Dhabi **Risk Owner** Acting Chief Development Officer & Chief Investment Officer	• Being an Abu Dhabi focused Company, the risk is concentrated in a specific geographical area. **Consequences** • Exposure to a single market will potentially have a material impact on Aldar's ability to grow and achieve its strategic objectives to deliver sustained returns for shareholders.	The Company realises the inherent risk of geographical concentration of operations and is steadily mitigating it by: • Exploring other markets in other Emirates and outside the UAE. • The Joint Venture announcement with Emaar during 2018 is a first significant step towards geographical diversification by entering the Dubai market. • Develop international sales and marketing capacity to expand investor pool. • Opened a sales centre in Dubai.

PRINCIPAL RISKS CONTINUED

The Risk	Risk Analysis	Treatment Plan
Operational: Risks related to performance, customers and the effective and efficient use of resources		
3. Talent retention **Risk Owner** Chief Executive Officer	• Ability to attract and retain talented pool of employees with right skills and experience. **Consequences** • Potentially a negative impact on Company's ability to efficiently and timeously deliver the business plan.	People and Performance strategy and treatment plan encompasses: • Long term incentive programme to assist retention of critical personnel. • Succession planning and career path programs. • Flexible working hours policy for improved performance. • Organisational wide Employee Satisfaction Survey conducted annually to gauge turnover triggers. • Conducted a "Great place to work" survey to measure employee satisfaction.
4. Health and safety **Risk Owner** Chief Executive Officer	• Serious OSH (Occupational Safety and Health) incident **Consequences** • Potentially material impact on Company's brand locally and internationally with consequential financial implication due to project delays, civil suit and fines.	The Company's relevant department ensures to have an integrated health and safety strategy and implementation plan: • All PMCs, consultants and principal contractors must register with OSHAD (Abu Dhabi Occupational Safety and Health Centre) and Aldar OSH Policy and abide by their standards. • Enforce and encourage the Company's consultants and contractors to record the number of unsafe acts, lessons learnt and produce monthly trend analysis in order to ensure safest practices. • Effective integration between QHSE (Quality, Health, Safety & Environment) team and project teams led to a proactive implementation of an effective monitoring programme. • Raising staff awareness by updating and communicating the Company's OSH/EHS Management System.

The Risk	Risk Analysis	Treatment Plan
5. Information systems and cyber threat **Risk Owner** Chief Financial Officer	• System vulnerabilities and control weaknesses are exploited by malicious actors over the internet. **Consequences** • If digital assets are not adequately protected from cyberthreats which can lead to disruption of business operations, financial losses and loss of reputation.	Information Security & Compliance function continue to assess and strengthen compliance readiness of its IT function. The unit undertakes but not limited to below: • DT achieved ISO 27001 certification in 2017. ISO 27001 surveillance audit is conducted by the Lead Auditors annually. • Security Baseline controls (hardening) have been defined and implemented to mitigate threats from known vulnerabilities. • DNS Security controls in place to proactively identify, block, and mitigate targeted threats such as malware, ransomware, phishing, and data exfiltration that exploit the DNS. • Data Loss Prevention controls are in place and reviewed as part of security monitoring. • Disaster recovery strategy and plan is in place and reviewed on regular basis. • Organisation-wide security awareness training program is in place. • Vulnerability management program is in place to identify the system weakness from hacker's perspective and mitigate the same.

BOARD OF DIRECTORS

HIS EXCELLENCY MOHAMED KHALIFA AL MUBARAK

CHAIRMAN

H.E. Mohamed Khalifa Al Mubarak is Chairman of Aldar Properties PSJC and prior to that, he was Chief Executive Officer and Chief Portfolio Management Officer at Aldar. H.E. 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, H.E. Al Mubarak worked with the corporate and investment bank Barclays Capital in London, focusing on investment and finance in the MENA region.

H.E. Al Mubarak is a Member of the Executive Council of the Emirate of Abu Dhabi. H.E. Al Mubarak is the Chairman of the Department of Culture & Tourism of Abu Dhabi as well as the Chairman of Tourism Development & Investment Company, Miral Properties Assets Management L.L.C, Image Nation Company & Aldar Academies LLC. In addition to that, H.E. Al Mubarak is a Board member of Etihad Airways Group, Al Qattara Investment Company, Media Zone Authority and Al Jazeera Investment & Real Estate Development Co.

H.E. Al Mubarak is a holds Dual specialisation in economics and political science from North Eastern University, USA.

HIS EXCELLENCY MR. ABUBAKER SEDDIQ AL KHOORI

FIRST VICE-CHAIRMAN

His Excellency Al Khoori is the First Vice-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. H.E. Al Khoori has over 24 years of experience in the fields of finance and international investment and over 15 years in the real estate sector.

He is currently the Chairman of both Abu Dhabi Airports Company and The National Investor PJSC. He is also a board member of Abu Dhabi Ports Company (ADPC). H.E.

Al Khoori holds a Bachelor of Finance from Lynfield College in McMinnville, Oregon, USA., is a certified Chartered Financial Analyst (CFA) and a member of AIMR and Completed the Executive Program of Businessmen at Harvard Business School, USA.

MR. WALEED AHMED ALMOKARRAB AL MUHAIRI

SECOND VICE-CHAIRMAN

Mr. Waleed Al Muhairi is the Deputy Group CEO of Mubadala Investment Company. As Deputy Group CEO, Waleed Al Mokarrab Al Muhairi has strategic oversight of the company's broad investment portfolio and special projects at the group level while ensuring that the company's four platforms are coordinating efficiently.

He is also Chief Executive Officer of the Alternative Investments & Infrastructure platform and leads Mubadala's healthcare, real estate & infrastructure, and capital investment portfolios.

Waleed is a member of Mubadala's Investment Committee, which is mandated to develop the company's investment policies, establish investment guidelines and review all proposed projects and investments to ensure they are in line with business objectives. He currently serves as Chairman of Cleveland Clinic Abu Dhabi and is a Member of the Board of Trustees of Cleveland Clinic in the United States.

He is also the Vice Chairman of Aldar Properties and a board member of Abu Dhabi Global Market, Emirates Investment Authority, Mubadala Petroleum, Abu Dhabi Future Energy Company (Masdar), and InvestCorp Bank, Bahrain.

Waleed was one of the principal architects behind the Abu Dhabi 2030 Economic Vision. Prior to joining Mubadala, Waleed worked with the UAE Offsets Program Bureau as a Senior Project Manager. Past roles also include working with McKinsey & Company as a commercial and governmental consultant. Waleed holds a Master's Degree in Public Policy from Harvard University, USA, and a Bachelor of Science Degree in Foreign Service from Georgetown University, USA.

MR. MANSOUR MOHAMED ABDULQADER AL MULLA

BOARD MEMBER

Mansour is the CFO for the Petroleum & Petrochemicals Platform in Mubadala Investment Company (Mubadala). His prime responsibilities revolve around advising and appraising the CEO and Senior Executives of the Platform on all financial matters pertaining to platform's assets, which include investments in prime global companies such as CEPSA, Borealis, Nova Chemicals, Mubadala Petroleum and OMV, with assets under management of circa $40bn.

Throughout his career with Mubadala, Mansour has played an instrumental role in negotiating and closing numerous award-winning financing transactions. He led the team in closing the $1.3 billion Dolphin 21' project bonds in February 2012. He also led the efforts on closing and funding the multi-tranche $4.1 billion debt financing for the Dolphin Project in July 2009. Both deals won numerous awards by leading publications in the Project Finance field. Mansour also supported a number of other transactions, including the leveraged buyout debt financing for the acquisition of Zurich based Maintenance, Repair and Overhaul operator SR Technics and financing Mubadala's stake in the Dutch fleet management company LeasePlan Corporation. The latter has been exited with a profit. Additionally, Mansour has advised and supported a number of Mubadala related assets on raising standalone debt financing as well as other strategic initiatives.

Mansour serves as a board member of Aldar Properties PJSC, Anglo Arabian Healthcare Investments FZ LLC and Gulf Energy Maritime PJSC. Over the last 10 years, Mansour served on the Boards of Waha Capital PJSC, Dunia Finance LLC, Abu Dhabi Finance PJSC and Abu Dhabi Terminals PJSC.

Prior to joining Mubadala in 2004, Mansour spent three years with the UAE Offsets Group. He was exposed to a number of sectors including aerospace, real-estate, infrastructure, healthcare, finance and oil & gas.

Mansour holds a Bachelor of Science in Business Administration (Information Systems) from Portland State University, Portland, Oregon, 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 Risco LLC and a Member of the Audit Committee of the Royal Group.

Mr. Al Falasi worked as under-secretary of the operations department of the Private Department of Sheikh Zayed Bin Sultan Al Nahyan. He supervised all the operations department's activities in that capacity.

Mr. Al Falasi joined Royal Group after his term at the Private Department and took on the role of director of the internal audit of the Group. He is a Board member of Sorouh Real Estate PJSC and The International Commercial Bank, as well as large other numbers of companies in the industrial, real estate, finance and trading fields. He was also the Chairman of Al Rayan Investment Company.

Mr. Al Falasi holds a Master's degree in business administration from University of Sharjah, UAE, a Bachelor's Degree in Science - Production and Operations Management from California State University, USA and Bachelor's degree in accounting from UAE University.

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, General Manager 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. These include the Zayed Higher Organization for Humanitarian Care & Special Needs, Abu Dhabi Housing 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 14 years of experience in the field of Asset Management and Investments in different asset classes and sectors, is Principal – Global Special Situations Department of the Abu Dhabi Investment Council (ADIC). Prior to joining ADIC in 2008, he worked in the field of equities investments at Abu Dhabi Investment Authority (ADIA). Previously, he has served as a Board Member at Etihad Airways, Abu Dhabi National Energy Company (TAQA), TAQA Morocco, Massar Solutions, Foodco Holding, Aseel Finance, Sorouh Real Estate and the National Health Insurance Company - Daman.

Mr. Al Mehairi holds a Bachelor of Commerce Degree in Finance from The John Molson School of Business at Concordia University in Montreal, Canada. He has also completed the General Management Program at Harvard Business School.

MR. MARTIN LEE EDELMAN

BOARD MEMBER

Mr. Edelman is on the Board of Blackstone Mortgage Trust, AMD and Equity Commonwealth 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 BA in Politics from Princeton University and SJD in Law from Columbia University, USA.

ENG. HAMAD MOHAMED SALEM AL AMERI

BOARD MEMBER

Eng. Hamad Salem Al Ameri brings significant experience from the construction industry as well as in the fields of business growth and management.

Eng. 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 25,000 employees.

In addition to his role at Aldar and Trojan Holding, Eng. Al Ameri is the Chief International Investment Counsel at the Royal Group and a Board Member of International Holding Company PJSC, Mina Holding Company LLC, Tamouh Investments Company LLC, Royal Development Company LLC, Eltizam Asset Management Group LLC, Al Reem Building Materials Co. LLC, Al-Jazeera Technical Solutions Investment Co. LLC and Hydra Properties LLC.

Eng. Al Ameri is a graduate in Civil Engineering from the American University in Dubai, UAE, and also holds a Master's in Business Administration from the Canadian University, UAE.

EXECUTIVE MANAGEMENT

TALAL AL DHIYEBI

CHIEF EXECUTIVE OFFICER

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

Talal is a graduate of Electrical Engineering (Honors) from the University of Melbourne, Australia.

FAHAD AL KETBI

DEPUTY CEO

Fahed Al Ketbi is the Deputy CEO of Aldar Properties PJSC. 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 Master's of Science from the National Defense University, Washington, DC with a major in strategy and a Bachelor of Science in Civil Engineering from the University of Hartford, Connecticut, USA.

GREG FEWER

CHIEF FINANCIAL OFFICER

Greg Fewer is the Chief Financial Officer of Aldar Properties PJSC. 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, Canada, and an MBA from London Business School, UK.

JASSEM SALEH BUSAIBE

CHIEF INVESTMENT 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. 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 M.Sc. in Finance from London Business School, UK.

Mamsha, Saadiyat Island

CORPORATE GOVERNANCE REPORT
for the year ended on December 31, 2018

INTRODUCTION
Aldar Properties PJSC is committed to what is stipulated in the decision of the Chairman of the Securities and Commodities Authority No. 7/RM of 2016 on the standards of corporate discipline and governance of public joint stock companies. The Company annually issues a Corporate Governance Report, which reflects the Company's keenness on the optimal and proper application of governance rules, and clearly demonstrates the synergy of joint efforts by the Company's Board of Directors, Executive Management and employees in order to do so.

The Board of Directors considers that the existence of a strong governance system is one of the cornerstones of the Company's long-term growth and boom. The Board is committed to directly and continuously enhancing value for its shareholders, taking into account the interests of all stakeholders, including shareholders, employees, suppliers, customers and business partners, as well as the communities in which the Company operates.

Shareholders represent the highest levels of governance and the Company's Articles of Association define the framework through which Aldar Properties PJSC shall operate as a public joint stock company. The Company's governance framework takes into consideration the application of the principles and standards set by both the Securities and Commodities Authority and Abu Dhabi Securities Exchange, as well as the Federal Law No. 02 of 2015 on commercial companies, as amended, in order to develop the company's policy, requirements and aspirations.

1. GOVERNANCE APPLICATION IN ALDAR PROPERTIES
The Board of Directors is accountable to the shareholders for ensuring that the Company's objectives are in line with shareholders' expectations and aspirations. In addition, it is responsible for ensuring the effectiveness of the businesses of the Company's management, with the emphasis that the Company's objectives are consistent with the legislative requirements and Code of Business Conduct defined by both the Securities and Commodities Authority and Abu Dhabi Securities Exchange.

The first step in implementing an effective governance system was the preparation and development of the governance framework to be an effective mechanism, followed by achieving optimal application of the governance framework. In the context of constant monitoring efforts to measure the effectiveness of the application of the governance system, the Board of Directors periodically reviews the governance framework and amends its elements (where necessary) to ensure its consistency with the regulatory controls and fluctuating business environment.

The following diagram illustrates the governance framework and key elements resulting from the application of the Company's governance system.

<table>
<tr><td colspan="3">Securities and Commodities Authority and Abu Dhabi Securities Exchange</td></tr>
<tr><td colspan="3">Shareholders</td></tr>
<tr><td>Nominations and Remunerations Committee</td><td rowspan="3">Board of Directors</td><td>Audit Committee</td></tr>
<tr><td rowspan="2">Executive Committee</td><td>Internal Control Management</td></tr>
<tr><td>Auditor</td></tr>
<tr><td colspan="3">Executive Management</td></tr>
</table>

As shown, the application of the governance system involves different levels, including the Board of Directors, Executive Management, and the Internal Control System.

The Board of Directors performs periodic reviews regarding the application of standards and systems of governance in the Company, taking into consideration the legal and regulatory requirements and controls of these systems, and the application of the highest international standards in this field. The following is an overview of the governance elements at the levels of the Board of Directors, the Executive Management, the Internal Control System and the Compliance Officer.

GOVERNANCE ELEMENTS RELATED TO THE BOARD OF DIRECTORS
Key elements of the governance of the Company at the Board level include a set of regulations that define the overall framework for the objectives, responsibilities and framework of the Board and its Committees, including:

- Charter of the Board of Directors.
- Charter of the Audit Committee.
- Charter of the Nominations and Remunerations Committee.
- Charter of the Executive Committee.
- Code of Business Conduct.
- Table of Delegations. The Board of Directors has developed and implemented the Table of Delegations as one of the other important complementary elements. The Table of Delegations is a regulatory tool through which all Executive Management members are delegated to perform their duties and tasks to the fullest extent, and which contributes to the creation of an organised working environment characterised by the optimal conduct of the works and activities exercised by the Company. To ensure the efficiency and effectiveness of the Table of Delegations, the Board of Directors periodically reviews and amends it according to the Company's business requirements. The last comprehensive review of the Table of Delegations was conducted by the Board of Directors at its meeting No. 05/2018 held on May 14, 2018.

GOVERNANCE ELEMENTS RELATED TO THE EXECUTIVE MANAGEMENT

The Executive Management shall implement the Company's strategy and conduct its day-to-day business in accordance with the business plan developed by the Board of Directors. The Executive Management shall have the authority to manage the affairs and business of the Company, taking into consideration the protection of the interests of shareholders, the application of the best international practices and meeting the needs of daily operations practically. In addition to the Table of Delegations, the key elements of governance at the Executive Management level include a set of regulations that define the overall framework for the objectives, responsibilities and tasks of the Executive Management as follows:

- Charter of the Administrative Committee.
- Charter of the Tender Committee.
- Charter of the Risk Management Committee.
- Code of Business Conduct.

GOVERNANCE ELEMENTS RELATED TO THE INTERNAL CONTROL SYSTEM

The Board of Directors of the Company has set the rules and regulations of the Company's business in such a way as to make all employees fully aware of the importance of the internal control system, contributing to their participation in ensuring the continuity of this system effectively.

The key elements of the internal control system include:

- Development and approval of policies, charters and regulations that regulate the Company's activities and works at all department and division levels.
- The External Auditor and the Internal Control Department.
- Shareholders of the Company and the General Assembly.
- The Company's Social Responsibility policy.
- The Company's Whistleblowing Policy.
- Continuous market disclosure.

2. TRANSACTIONS AND TRADINGS OF THE COMPANY'S DIRECTORS AND THEIR DIRECT RELATIVES IN THE COMPANY'S SHARES DURING 2018

The Board of Directors (along with all employees and insiders of the Company) firmly believes in the importance and necessity of compliance with rules and regulations controlling their transactions and tradings in the shares and securities of the Company, in addition to their keenness to make the necessary declarations and disclosures in this regard on time, based on the adoption of the principles of equal opportunities, and not to use any undisclosed internal information for personal interest or to remove a harm that may affect them as a result of any undisclosed material information. This enhances the confidence of investors and shareholders, and encourages them to further consider and study the Company's projects and invest in its shares, assets, and current and future projects.

Based on the foregoing, and in the light of the disclosures made by the Board of Directors, there were no known tradings made by the Directors or their direct relatives in the Company's shares during 2018.

3. BOARD OF DIRECTORS

The role of the Board of Directors is to supervise the Company's business and affairs. The Board of Directors is responsible for monitoring the effectiveness of the governance framework and for controlling and supervising the management and controls applied in the Company. The Board has delegated some of its authorities to its Committees (the Audit Committee, the Nominations and Remunerations Committee, and the Executive Committee, as stated below), which operate according to the Charters and Regulations approved by it.

The Board also delegated tasks of the day-to-day management of the Company to the Chief Executive Officer, in accordance with its specific authority in this regard, for a renewable three-year term. These mandates shall be documented in the Table of Delegations, which in turn is subject to periodic review to ensure balance and suitability between the level of control and the risk management and work requirements within the Company, in addition to keeping pace with the requirements, developments and changes in its activities and operations. A comprehensive and material review was applied to the Table of Delegations, which was approved by the Board of Directors at its meeting No. 05/2018 held on May 14, 2018. In addition, some partial amendments and revisions were conducted to the items on the Table of Delegations by the Board of Directors and its Executive Committee during the meetings held during 2018 according to the requirements and business interests of the Company.

3.1 CHAIRMAN

H.E. Mohamed Khalifa Al Mubarak is the Chairman of Aldar Properties PJSC according to the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017, following the changes in the Board of Directors of the Company on that date. The Chairman is responsible for the leadership of the Board and for ensuring the effective performance of the responsibilities and duties thereof. In addition, the Chairman is a key link between the Board and the Executive Management. He continuously works with the Executive Management of the Company. In particular, the Chairman has the following tasks and responsibilities:

- Ensuring that the Board works effectively, fulfils its responsibilities and discusses all key and proper issues on time.
- Development and adoption of agendas of all meetings of the Board of Directors, taking into account any issues the Directors, Executive Management, Rapporteur, Compliance Officer or Director of Internal Control Management propose to be included in the agenda. The Chairman has the authority to assign such responsibility to a particular Director or to the Rapporteur under his supervision.
- Encouraging all Directors to fully and effectively participate in order to ensure that the Board is managed in a manner that ensures the achievement of the Company's interests.
- Taking appropriate actions to ensure effective communication with shareholders and communicate their views to the Board of Directors.
- Facilitating the effective contribution of the Board's non-executive Directors, and creating constructive relationships between the executive and non-executive Members.

3. BOARD OF DIRECTORS continued

3.2 COMPETENCIES OF THE BOARD OF DIRECTORS

The Board set a list of matters under its control (in addition to the duties and responsibilities stipulated in the Company's Memorandum of Association, its Articles of Association, Federal Law No. 2 of 2015 concerning commercial companies, as amended, and the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies), which are of a strategic nature and characterised by high sensitivity. At the same time, such matters exceed the limits of the power vested in the Executive Management of the Company.

3.2 COMPETENCIES OF THE BOARD OF DIRECTORS continued

Such matters include:

- Development and review of the Company's strategic policies and plans.
- Supervision and control of the Company's operations, and following up the exercise by the Executive Management of the tasks vested in them.
- Enhancement of the Company's culture and core values as the ideal destination for job seekers.
- Development and implementation of the necessary policies, procedures and controls of the Company.
- Adoption and follow-up of balance sheets, business plans and financial statements and policies.
- Monitoring the appropriateness and effectiveness of the risk management and governance framework of the Company
- Approval of proposals for major investments and expenditure policies proposed by the Executive Management.
- Monitoring the appropriateness of the administrative resource policy to ensure the adequacy of such resources and the appropriateness of the administrative management plans, in coordination with the Nominations and Remunerations Committee in this regard.
- Providing timely and accurate information to shareholders, and ensuring that the investors are generally able to trade in the Company's securities listed in the exchange market, which is characterised by a high degree of efficiency, competitiveness, knowledgeability and transparency.
- Monitoring the process of nominating and appointing the Members of the Board of Directors in accordance with the Securities and Commodities Authority, in coordination with the Nominations and Remunerations Committee.
- Appointment or dismissal of the Chief Executive Officer,- the Compliance Officer, the Company Rapporteur and the Director of Internal Audit Management.
- Providing recommendations to the Annual General Assembly on the appointment of the External Auditor (upon a recommendation issued by the Audit Committee).

3.3 FORMATION OF THE BOARD OF DIRECTORS

The Board of Directors of Aldar Properties currently includes nine Members:

	Members	Position
1	H.E. Mohamed Khalifa Al Mubarak	Chairman
2	Mr. Abubaker Seddiq Al Khoori	First Vice-Chairman
3	Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	Second Vice-Chairman
4	Mr. Hamad Salem Mohamed Al Ameri	Member
5	Mr. Mansour Mohamed Al Mulla	Member
6	Mr. Ahmed Khalifa Mohamed Al Mehairi	Member
7	Mr. Ali Saeed Abdullah Sulayem Al Falasi	Member
8	Mr. Mohamed Haji Al Khoori	Member
9	Mr. Martin Lee Edelman	Member

Notes:

- The current Board of Directors assumed its duties and responsibilities in accordance with the decision issued by the General Assembly meeting of the Company held on March 16, 2016.
- H.E. Mohamed Khalifa Al Mubarak was appointed as a Member by virtue of the Board of Directors' decision passed at its meeting No. 06/2017 held on November 12, 2017. His appointment was approved by the shareholders at the General Assembly meeting held on March 21, 2018.
- H.E. Mohamed Khalifa Al Mubarak was elected as Chairman by virtue of the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017, by secret voting.
- During the Board of Directors' meeting No. 06/2017 held on November 12, 2017, Mr. Abubaker Seddiq Al Khoori was elected as the First Vice-Chairman, and Mr. Waleed Ahmed Salem Almokarrab Al Muhairi as the Second Vice-Chairman, by secret voting.

In this regard, it should be noted that the membership of the Board of Directors consisted mostly of independent Members since the establishment of the Company according to the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies, and the Charter of the Board of Directors approved by the Board of Directors.

All Members of the Board are non-executive, eight of them being independent. The Board has adopted a policy on the independence of Members, under which the independence of each Member is assessed annually, which falls under the responsibilities of the Nominations and Remunerations Committee, according to the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies. Accordingly, the conflict of interests and the emergence of relationships that may arise on independent Members, which may lead to a breach of independence, shall be reported and the relevant procedures shall be taken into account if the Board finds any defect or a decline in the capacity of independence.

The following table shows the classification of the Board's Members as executive/non-executive/independent/non-independent and the year of appointment for each Member.

Members	Position	Status: Independent	Status: Executive	Year of Appointment
H.E. Mohamed Khalifa Al Mubarak	Chairman	No	No	2017
Mr. Abubaker Seddiq Al Khoori	First Vice-Chairman	Yes	No	2013
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	Second Vice-Chairman	Yes	No	2016
Mr. Hamad Salem Mohamed Al Ameri	Member	Yes	No	2015
Mr. Mansour Mohamed Al Mulla	Member	Yes	No	2011
Mr. Ahmed Khalifa Mohamed Al Mehairi	Member	Yes	No	2013
Mr. Ali Saeed Abdullah Sulayem Al Falasi	Member	Yes	No	2013
Mr. Mohamed Haji Al Khoori	Member	Yes	No	2013
Mr. Martin Lee Edelman	Member	Yes	No	2011

Notes:

- H.E. Mohamed Khalifa Al Mubarak was elected as Chairman by virtue of the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017.
- Mr. Abubaker Seddiq Al Khoori was elected as the First Vice-Chairman by virtue of the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017.
- Mr. Waleed Ahmed Salem Almokarrab Al Muhairi was elected as the Second Vice-Chairman by virtue of the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017.
- Since H.E. Mohamed Khalifa Al Mubarak served as the Chief Executive Officer of Aldar until his election and appointment of Chairman of the Board of Directors on 12th November 2017, he will therefore be deemed as a non-independent board member until November 2019, in line with SCA's Corporate Governance Code. After the passing of two years, he will then be designated as independent status.

3.4 MEMBERSHIP OF THE DIRECTORS IN OTHER COMPANIES AND CORPORATIONS

The following table shows the membership of the Board's Members in other public bodies and companies, and their current positions in the supervisory, governmental, economic and commercial bodies, as on December 31, 2018.

Member	Company / Body	Position
H.E. Mohamed Khalifa Al Mubarak (Chairman)	Executive Council of Abu Dhabi	Member of the Executive Council
	Department of Culture & Tourism – Abu Dhabi	Chairman
	Miral Properties Assets Management L.L.C.	Chairman
	Tourism Development & Investment Company	Chairman
	Etihad Airways Group	Member of the Board of Directors
	Image Nation Company	Chairman
	Al Qattara Investment Company	Member of the Board of Directors
	Media Zone Authority	Member of the Board of Directors
	Al Jazeera Investment & Real Estate Development Co.	Member of the Board of Directors
Mr. Abubaker Seddiq Al Khoori (First Vice-Chairman)	Abu Dhabi Airports Company	Chairman
	The National Investor P.J.S.C	Chairman
	Abu Dhabi Ports Company P.J.S.C	Member of the Board of Directors

3. BOARD OF DIRECTORS continued

3.4 MEMBERSHIP OF THE DIRECTORS IN OTHER COMPANIES AND CORPORATIONS continued

Member	Company / Body	Position
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi (Second Vice-Chairman)	Mubadala Investment Company P.J.S.C	Group's Deputy Chief Executive Officer and Chief Executive Officer of the Alternative Sector Investments & Infrastructure Sector
	Cleveland Clinic Hospital – Abu Dhabi	Chairman
	Cleveland Clinic Hospital – USA	Member of the Board of Trustees
	Abaar Investment Company P.J.S.C	Chairman
	Abu Dhabi Future Energy Company P.S.C. (Masdar)	Member of the Board of Directors
	Mubadala Petroleum	Member of the Board of Directors
	Tamouh Investments Company L.L.C.	Member of the Board of Directors
	Investcorp Bank	Member of the Board of Directors
	Tamkeen Abu Dhabi Company	Member of the Board of Directors
	Emirates Investment Authority	Member of the Board of Directors

Member	Company / Body	Position
Mr. Hamad Salem Mohamed Al Ameri (Member)	Trojan Holding	Vice-Chairman and Managing Director
	International Holdings Company P.J.S.C	Member of the Board of Directors
	Mina Holding Company L.L.C.	Member of the Board of Directors
	Tamouh Investments Company L.L.C.	Member of the Board of Directors
	Royal Development Company L.L.C.	Member of the Board of Directors
	Eltizam Asset Management Group L.L.C.	Member of the Board of Directors
	Al Reem Building Materials Co. L.L.C.	Member of the Board of Directors
	Al-Jazeera Technical Solutions Investment Co. L.L.C.	Member of the Board of Directors
	Hydra Properties L.L.C.	Member of the Board of Directors
Mr. Mansour Mohamed Al Mulla (Member)	Mubadala Investment Company P.J.S.C	Chief Financial Officer of Petroleum & Petrochemicals Sector
	OMV Company	Member of the Board of Directors
	Gulf Energy Maritime (GEM) P.S.C.	Member of the Board of Directors
Mr. Ahmed Khalifa Mohamed Al Mehairi (Member)	Abu Dhabi Investment Council	Principal – Global Special Situations Department
Mr. Ali Saeed Abdullah Sulayem Al Falasi (Member)	Risco L.L.C.	Member of the Board of Directors
	Hydra Properties L.L.C.	Chief Executive Officer
	Royal Group	Member of the Audit Committee
Mr. Mohamed Haji Al Khoori (Member)	Khalifa Bin Zayed Al Nahyan Foundation	General Manager
	Abu Dhabi Housing Authority	Member of the Board of Directors
Mr. Martin Lee Edelman (Member)	Mubadala Investment Company	Adviser

Note:
- This information is based on the disclosures made by the Board's Members as on December 31, 2018.

According to the Charter of the Board of Directors, all Members have wide experience in business and management, particularly in the real estate sector. The following table shows the educational qualifications and experiences of the Board's Members.

			Experience Field						
Members	Educational Qualifications	Experience period in the Field of Business and Management (in years)	Real Estate and Constructions	Oil, Energy and Facilities	Banks, Finance and Insurance	Communications	Government and Nonprofit, Public and Other Organisations	Healthcare and Pharmaceutical Industries	Media
H.E. Mohamed Khalifa Al Mubarak	• Dual specialisation in economics and political science from North Eastern University, USA.	11+	✓		✓		✓		✓
Mr. Abubaker Seddiq Al Khoori	• Bachelor of Finance from Lynfield College in McMinnville, Oregon, USA. • Certified Financial Analyst (CFA) and Member at AIMR. • Completed the Executive Program of Businessmen at Harvard Business School, USA.	24+	✓		✓		✓		
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	• Master of Public Policy with a specialisation in Business Administration and Government from Harvard University, USA. • Bachelor of Science in International Affairs from Georgetown University, USA.	17+	✓	✓	✓	✓	✓	✓	
Mr. Hamad Salem Mohamed Al Ameri	• MBA from the Canadian University. • Bachelor of Civil Engineering from the American University in Dubai (AUD).	13+	✓	✓	✓		✓		
Mr. Mansour Mohamed Al Mulla	• Bachelor of Business Administration from Portland State University, Oregon, USA.	18+	✓	✓	✓		✓		
Mr. Ahmed Khalifa Mohamed Al Mehairi	• Bachelor of Commerce – Finance from Concordia University, Canada. • Successfully completed the Public Administration Program from Harvard Business School, USA.	14+	✓	✓	✓		✓		
Mr. Ali Saeed Abdullah Sulayem Al Falasi	• MBA from the University of Sharjah. • Bachelor of Science – Production and Operations Management from California State University, USA. • Bachelor of Accounting from UAE University.	22+	✓		✓		✓		
Mr. Mohamed Haji Al Khoori	• Bachelor of Economics from California State University in San Bernardino, USA.	28+	✓		✓	✓	✓	✓	
Mr. Martin Lee Edelman	• PhD in Legal Science from Columbia University, USA. • Bachelor in Political Science from Princeton University, USA.	45+	✓				✓		

3. BOARD OF DIRECTORS continued

3.5 WOMEN'S REPRESENTATION ON THE BOARD OF DIRECTORS DURING 2018

At present, the Board of Directors does not include any women, because no woman nominated herself for membership of the Board during the nomination and formation process, which took place during 2016.

3.6 ORIENTATION PROGRAMME

New Directors shall be subject to an orientation programme, during which their rights, duties and responsibilities as Directors are defined. The new Directors join this orientation programme, which aims to obtain comprehensive information from the Management and to conduct field visits to the Company's sites. In addition, the Company has provided all tools and means of communication needed to provide the Directors with comprehensive information regarding the Company and its activities, including information on the latest developments communicated by the Executive Management during the Board's meetings, so that the Directors can properly fulfil their responsibilities. The Directors also receive periodic information from specialists inside and outside the Company regarding major business sector developments and core issues associated with their functions as Directors.

3.7 ELIGIBILITY FOR INDEPENDENT CONSULTATIONS

According to the Charter of the Board of Directors, each Director shall be entitled to seek an independent external consultation based on non-conflict of interests after consultation with the Board or its Committees. The cost of such external consultations shall be borne by the Company as determined by the Board or its Committees.

3.8 REMUNERATIONS OF THE DIRECTORS AND ALLOWANCES FOR ATTENDANCE AT THE MEETINGS OF THE BOARD AND ITS COMMITTEES

Article 28 of the Articles of Association of Aldar Properties provides that:

"The remunerations of the Directors shall be a percentage of the net profit of the Company, provided that it shall not exceed 10% of such profits for the fiscal year. The Company may pay additional expenses, fees or remunerations or monthly salary determined by the Board of Directors to any of its Members if such Member works in any Committee, makes special efforts or performs additional works to serve the Company above his normal duties as a Director.

Fines imposed on the Company due to violations by the Board of Directors of the law or the Company's Articles of Association during the previous fiscal year shall be deducted from the remunerations of the Board. The General Assembly shall be entitled not to deduct such fines if it knew that such fines were not imposed due to default or omission by the Board of Directors."

Article 48 of the Articles of Association defines the method of distribution of net profits. The net annual profits of the Company are distributed after deduction of all general expenses and other costs as follows:

- Ten per cent (10%) shall be deducted and allocated to the legal reserve. This deduction shall be stopped when the total reserve amounts to 50% of the Company's paid-up capital. If the reserve has decreased, the deduction shall be resumed. The legal reserve may not be distributed to the shareholders. If the reserve exceeds 50% of the Company's paid-up capital, such excess may be used to distribute profits to the shareholders in the years when the Company does not achieve net profits enough for distribution.
- The General Assembly shall determine the percentage of the net profit to be distributed to the shareholders after deduction of the legal reserve, provided that if the net profits in a year are not enough for distribution, such profits may not be claimed from profits of subsequent years.
- The Directors shall receive remunerations to be determined by the General Assembly annually, provided that such remunerations shall not exceed 10% of the net profit of the previous financial year after deducting both depreciation and legal reserve.
- The remainder of the net profit or any part thereof shall be distributed to the shareholders, carried over to the next year or allocated for the establishment of an optional reserve as determined by the Board.
- The Company may distribute annual, semi-annual or quarterly profits to the shareholders in accordance with the policy and/or decisions of profit distributions proposed by the Board of Directors and approved by the General Assembly.

- **Total remunerations of the Directors for 2017**

  Based on the decision issued by the Company's General Assembly at its meeting held on March 21, 2018, the total remunerations paid to the Board of Directors for the year ended on December 31, 2017 was AED 19.3 million.

- **Total proposed remunerations of the Directors for 2018**

  Decisions on proposed remunerations for 2018 have not yet been made. Information on such remunerations will be disclosed and updated as soon as a decision thereon is taken.

- **Allowances for Attendance at the Meetings of the Board and its Committees for 2018**

  The Directors have not received any allowances for attending meetings of the Board or its Committees during 2018.

3.9 MEETINGS OF THE BOARD OF DIRECTORS

The Board held eight meetings during 2018 to discuss strategic and operational matters related to the Company and to take the necessary decisions thereon. The following table shows the dates of these meetings:

Meeting	Date
01/2018	January 28, 2018
02/2018	February 14, 2018
03/2018	March 21, 2018
04/2018	April 11, 2018
05/2018	May 14, 2018
06/2018	August 06, 2018
07/2018	November 14, 2018
08/2018	December 16, 2018

Note:

- In addition to the Board's meetings, the Executive Committee held six meetings during 2018 to discuss strategic and operational matters and to submit recommendations thereon to the Board (see section 6.3 for more information on the Executive Committee). In addition, some decisions were passed by the Board by circulation (see section 3.10).

Attendance at the above-mentioned meetings was as follows:

Directors	Meeting 01/2018	Meeting 02/2018	Meeting 03/2018	Meeting 04/2018	Meeting 05/2018	Meeting 06/2018	Meeting 07/2018	Meeting 08/2018	No. of Personal Attendances
H.E. Mohamed Khalifa Al Mubarak	✓	✓	✓	✓	✓	–	✓	✓	7
Mr. Abubaker Seddiq Al Khoori	✓	✓	✓	✓	✓	✓	–	✓	7
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Hamad Salem Mohamed Al Ameri	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Mansour Mohamed Al Mulla	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Ahmed Khalifa Mohamed Al Mehairi	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Ali Saeed Abdullah Sulayem Al Falasi	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Mohamed Haji Al Khoori	✓	✓	✓	✓	✓	–	✓	✓	7
Mr. Martin Lee Edelman	✓	✓	✓	✓	✓	✓	✓	–	7

Notes:

- Any absence submitted by the Directors for some meetings are considered and taken into account at the beginning of each meeting according to the Company's Memorandum of Association and Articles of Association, and in line with the applicable laws and regulations in this regard.
- Directors noted as in attendance at these meetings attended the meetings in person.

3. BOARD OF DIRECTORS continued

3.10 RESOLUTIONS PASSED BY CIRCULATION

During 2018, the Board of Directors passed four resolutions by circulation, taking into consideration the relevant controls stipulated in Article 24 of the Company's Articles of Association and the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies, where:

- The majority of the Board of Directors agreed that the cases for which the resolutions were passed are considered emergency.
- The Directors have been given the resolutions in writing, with all necessary documents, for review and approval.
- The resolutions passed by the Board were approved in writing by majority, and were presented at the next meeting of the Board to be included in the minutes of such meeting.
- The passing of resolutions by circulation shall not be considered as a meeting of the Board of Directors. Therefore, the minimum number of the Board's meetings specified in the Company's Articles of Association has been complied with (see section 3.9).

3.11 BUSINESS TRANSACTIONS WITH RELATED PARTIES

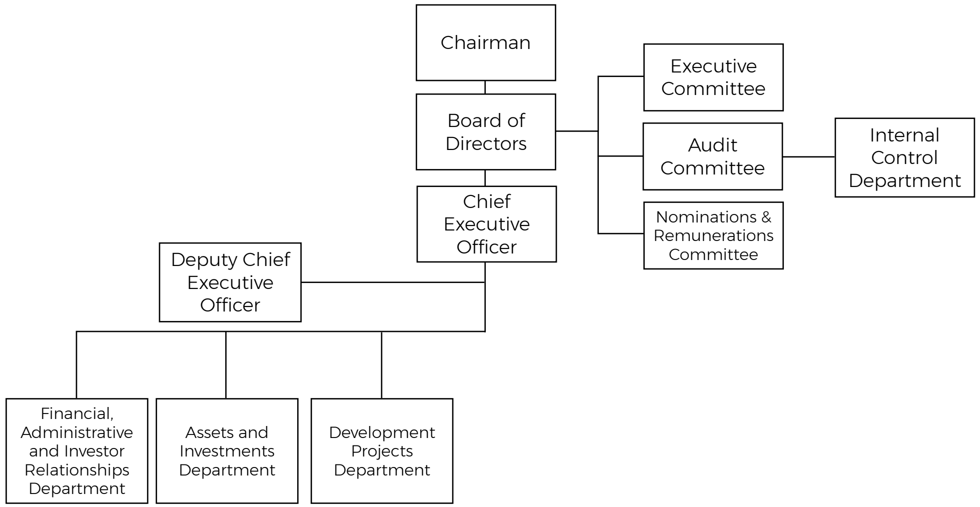
The following table shows the transactions done with related Parties during 2018:

Transaction Type		Transaction value (in AED Thousand)
The Government of Abu Dhabi	Revenue	911,367
A main shareholder	Revenue	24,876
	Finance Income	6,798
Financing projects and Joint Ventures	Finance Income	12,150
Banks Controlled by the Government of Abu Dhabi & Major shareholder	Interest Income	30,415
	Interest Costs	110,760

4. ORGANISATIONAL STRUCTURE AND EXECUTIVE MANAGEMENT

4.1 ORGANISATIONAL STRUCTURE OF THE COMPANY

Since its inception, Aldar Properties has been developing and implementing an efficient and effective organisational structure at all department and division levels in order to ensure a high level of coordination and management interaction, and to ensure a high level of disclosure, transparency and interaction with markets, which is reviewed continuously by the relevant committees. The following diagram represents the company's organisational structure.



4.2 EXECUTIVE MANAGEMENT TEAM

The Executive Management Team (which includes the Chief Executive Officer and Executive Officers of its departments and divisions) work according to their authorities specified by the Board of Directors, and within the approved strategic plan. They are responsible for managing the day-to-day operations of the Company and key business issues, in line with the strategic plan framework of the Company. The Chief Executive Officer periodically meets with the Executive Management Team directly. It should be noted that in the absence of the Chief Executive Officer for any reason, the Administrative Committee shall follow up all operations and activities of the Company, and shall conduct weekly meetings.

4.2 EXECUTIVE MANAGEMENT TEAM continued

The following table shows the members of the Executive Management Team, their appointment dates, and the salaries and other remunerations they received during 2018.

Position	Date of Appointment	Total Salaries and Allowances during 2018 (in AED)	2018 Bonus (AED)	Any Other cash /in-kind benefits for 2018 or payable in the future (a)
Chief Executive Officer	April 15, 2006 (b)	2,348,564	3,724,000	See Note (a)
Deputy Chief Executive Officer	June 27, 2013 (c)	2,144,304	1,500,000	See Note (a)
Chief Financial Officer	November 1, 2011	2,212,290	1,498,000	See Note (a)
Chief Investment Officer	April 17, 2016	1,934,964	1,281,000	See Note (a)

Notes:

(a) The eligible Executive Management Team members are part of a Long-term incentive plan, were applicable RSUs will vest over a period of four years as follows:
Chief Executive Officer: 2,059,355 RSU, Chief Financial Officer: 828,387 RSU, Chief Investment Officer: 708,387 RSU.

(b) The Chief Executive Officer was appointed on November 12, 2017 according to the Board of Directors' decision at its meeting No. 06/2017 held on November 12, 2017. He was the Chief Development Officer until that date.

(c) The Deputy Chief Executive Officer was appointed on January 28, 2018 according to the Board of Directors' decision at its meeting No. 01/2018 held on January 28, 2018. He was the Chief Operations Officer until that date.

(d) The position of the Chief Development Officer was vacant for the whole year of 2018.

4.3 RESPONSIBILITIES AND AUTHORITIES OF THE EXECUTIVE MANAGEMENT

The Chief Executive Officer has the authority to act within the framework of the operational plan and the budget of operating income and expenses discussed and approved by the Board, according to the authorities granted thereto under the Table of Delegations. The Chief Executive Officer may delegate some of his duties to the Executive Management Team, according to the current policies of the Board, the Table of Delegations and legal requirements which determines the powers of such delegation. The validity of responsibilities and duties vested in the Chief Executive Officer is three renewable years.

Following are the duties and responsibilities assigned by the Board of Directors to the Chief Executive Officer and the Executive Management members:

(A) LEADERSHIP, BUSINESS STRATEGY AND MANAGEMENT

- Providing integrated management of the Company, including the provision of adequate and comprehensive information about the Company to customers, suppliers, shareholders, financial institutions, employees and media.
- Development of the Company's projects and operations, taking into account the responsibilities of the Company towards its shareholders, customers and employees.
- Putting recommendations to the Board of Directors on the development of performance strategies, operations and day-to-day management.
- Management of the Company in line with the strategies, business plans and policies approved by the Board of Directors.
- Management of operations and daily affairs, taking into consideration the matters on which the Board of Directors reserves the right to decide.
- Ensuring coordination and integration between the Company's divisions and departments, and establishment of institutional culture, Code of Business Conduct, and integrity in the Company, including the matters related to its bids, contracts and other practices.
- Periodic review of the organisational structure of the Company, and making the necessary amendments in this regard.
- Directing the Members of the Executive Management in their daily management tasks, and supervising their performance.
- Consulting the Board of Directors in matters of a strategic or sensitive nature, or which are essential matters, to draw the Board's attention to them and take the necessary decisions.

(B) RISK MANAGEMENT AND INTERNAL CONTROL

- Ensuring compliance by the employees with the Code of Business Conduct.
- Risk Management.
- Effective application and management of all essential aspects of risk management, Internal Control and compliance, to support policies adopted by the Board of Directors.
- Compliance with the legislative and legal requirements of the Securities and Commodities Authority, Abu Dhabi Securities Exchange, and Federal Law No. 2 of 2015 on commercial companies, as amended.

(C) FINANCIAL SUPERVISION AND ASSETS MANAGEMENT

- Studying the efficiency and cost-effectiveness of all operations of the Company.
- Ensuring the integrity of data, records and financial systems.
- Protecting funds and assets managed by the Company, and ensuring the efficient utilisation thereof.
- Ensuring the credibility, accuracy and reliability of financial and administrative information related to the Company's activity.
- Development of annual balance sheets for approval by the Board of Directors.
- Ensuring that the financial reports of the Company reflect a true and fair financial position of the Company and the results of its businesses and operations.
- Verification of all investments and major expenditure of the Company's capital, and development of appropriate proposals and recommendations thereon and submission thereof to the Audit Committee, the Executive Committee and/or the Board of Directors for approval.

4. ORGANISATIONAL STRUCTURE AND EXECUTIVE MANAGEMENT continued

In addition, the Board of Directors gave instructions for the formation of a number of administrative committees, which include a number of members of the Executive Management Team. The Board has delegated to them a set of authorities and powers that will support and enhance the Executive Management functions, which positively reflects on the daily activities and operations of the Company. Each of these committees shall be subject to a special charter specifying their members and the manner of their appointment, their powers, responsibilities, function, the mechanism of action, reporting and periodic performance assessment, etc. Such charters are periodically reviewed by the Board of Directors to ensure the efficiency and effectiveness of these committees. The Board of Directors conducted a comprehensive review of all the charters of these committees at its meeting No. 07/2018 held on November 14, 2018. These committees are as follows:

- **Administrative Committee:** chaired by the Chief Executive Officer, this includes in its membership a number of the members of the Executive Management Team. The meetings of the Committee are held on a weekly basis and when necessary. This committee is specialised in ensuring that the Company's practices, business and operational activities comply with the charters and policies adopted by the Board of Directors, and that they are exercised and carried out in a manner that safeguards the interests of the related parties, including customers, shareholders, investors, suppliers, employees, etc. In addition, it reviews and follows up the performance of various divisions, ensures the achievement of key performance indicators and issues the necessary recommendations to the Board and/or its Committees, where necessary, according to the Table of Delegations, with regard to the framework of governance, Table of Delegations, policies and procedures of the Company, work plan, the Company's vision, values, objectives, strategy, initiatives and key performance indicators, business environment plans, as well as the Company's needs for human resources and privileges, allowances and incentives granted thereto, in addition to the investment control process adopted by the Company and issues, recommendations and opportunities related thereto, acquisitions and available investment opportunities, matters related to the subsidiaries and joint projects, and other competencies delegated to the Committee from time to time as per the business requirements.
- **Tenders Committee:** chaired by the Chief Executive Officer, this includes in its membership a number of the members of the Executive Management Team. The meetings of the Committee are held on a weekly basis and when necessary. This committee is specialised in following up and considering the activities and practices related to contracts and purchases management and lists of service providers and bidders, making the necessary recommendations regarding the awarding of tenders and commissioning works related to the management of development projects, management of assets and contracts, according to the limits, controls and standards established in the Table of Delegations, and other competencies delegated to the Committee from time to time as per the business requirements.
- **Investment Committee:** chaired by the Chief Executive Officer, this includes in its membership a number of the members of the Executive Management Team. The meetings of the Committee are held on a weekly basis and when necessary. This committee is specialised in the review, approval and/or recommendation (according to the Table of Delegations) on issues related to the investment control, opportunities and strategic investments of the Company, liquidity issues, and other competencies delegated to the Committee from time to time as per the business requirements.
- **Risk Management Committee:** chaired by the Chief Executive Officer, this includes in its membership a number of the members of the Executive Management Team. The meetings of the Committee are held quarterly and when necessary (see section 9 of this Report for more information on this Committee).

5. EXTERNAL AUDITOR

Ernst & Young was appointed as an external auditor of Aldar Properties for the fiscal year ending on December 31, 2018 under a decision issued by the General Assembly at its meeting held on March 21, 2018. Ernst & Young is one of the leading external audit firms with extensive experience in the field of audit. It is accredited by the Ministry of Economy and operates independently from the Board of Directors and the Executive Management. Ernst & Young has offices in Abu Dhabi, Dubai and Sharjah.

The following table shows the services provided by the External Auditor during 2018 and the fees charged for these services:

Audit Firm Name	Ernst & Young
Number of years spent as an external auditor of the Company	Three (3) years as of the date of implementing the Federal Law No. (02) of 2015 concerning of the Commercial Companies
Total audit fees for the financial statements for the year ended on December 31, 2018 (In AED)	934,500

Other services provided by the External Auditor during 2018 and fees charged therefore

Service	Amount (in AED)
Other Advisory Works	2,847,290
Other Audit Works	384,450
Total	3,231,740

In addition, during 2018, Aldar Properties received financial and accounting consultation services as follows:

Company		Amount (in AED)
1	Deloitte & Touche	1,161,555
2	UBS	183,500
3	Knight Frank UAE	189,000
4	Ardent Advisory & Accounting LLC	717,000
5	JLL	350,675
6	CBRE	300,000
Total		2,901,730

The Company's auditor did not submit any reservations regarding the interim and/or annual financial statements of the Company during 2018.

6. BOARD OF DIRECTORS COMMITTEES

The Board of Directors has formed three committees to contribute in the implementation of its functions, and has delegated powers and responsibilities to them to ensure the implementation of its decisions. The following are the Board of Directors' Committees:

- Audit Committee.
- Nominations and Remunerations Committee.
- Executive Committee.

Each Committee has a charter defining its objectives, responsibilities, structure, framework and reporting mechanism. The charters of these Committees are periodically reviewed to update and amend them to ensure the efficiency and effectiveness of these Committees. The Board restructured all Committees to ensure the compatibility and harmony of their functions and responsibilities with the decision of the Chairman of the Securities and Commodities Authority No. 7/RM of 2016 on the standards of corporate discipline and governance of public joint stock companies. In addition, the Board restructured these Committees at its meeting No. 07/2017 held on December 18, 2017, following the changes then witnessed by the Board.

6.1 AUDIT COMMITTEE

The Audit Committee contributes to the performance by the Board of Directors of the responsibilities imposed by the Company's governance with respect to risk management, Internal Control Systems, accounting policies, financial reporting and internal and external audits. The Audit Committee ensures that the main objectives of the Company are achieved effectively and efficiently, within a tight framework of internal controls, risk management and governance.

The Audit Committee consists of three non-executive independent members. The charter of the Audit Committee requires that all members of the Committee shall be familiar with financial aspects, and at least one of its members shall have experience in accounting and finance. The Chairman of the Committee shall hold periodic meetings with the Executive Management and the Director of Internal Control Department to ensure that the members of the Committee are informed of the main issues. The Committee shall also meet with the External Auditor, without the presence of the members of the Executive Management, as the Committee deems appropriate.

The following are the members of the Audit Committee:

Audit Committee Members	Position
Mr. Mansour Mohamed Al Mulla	Chairman
Mr. Ali Saeed Abdullah Sulayem Al Falasi	Member
Mr. Ahmed Khalifa Mohamed Al Mehairi	Member

Notes:

- The Audit Committee was restructured pursuant to the decision issued by the Board of Directors at its meeting No. 07/2017 held on December 18, 2017.
- Mr. Mansour Mohamed Al Mulla was elected as Chairman of the Audit Committee following the decision of the Board of Directors at its meeting No. 07/2017 held on December 18, 2017.

6. BOARD OF DIRECTORS COMMITTEES continued

The Audit Committee's Charter defines the responsibilities of the Audit Committee as follows:

(A) FINANCIAL REPORTS
- Considering any significant and unusual items that are or should be included in the annual, semi-annual and quarterly financial reports and statements, paying due attention thereto, discussing them with the Executive Management and the External Auditor, and making recommendations thereon to the Board of Directors for approval.
- Ensuring a mechanism for continuous disclosure to the Securities and Commodities Authority and Abu Dhabi Securities Exchange.
- Ensuring the integrity of the Company's financial statements and reports (annual, semi-annual and quarterly), reviewing them as part of their normal work during the year and focusing on:
  - Any changes in accounting policies and practices.
  - Highlighting aspects which are subject to the management's discretion.
  - Significant amendments resulting from the audit.
  - Presumption of business continuity.
  - Compliance with accounting standards established by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.
  - Compliance with rules of incorporation, disclosure and other legal requirements related to financial reporting.

(B) COMPANY'S GOVERNANCE
- Supervising and controlling the internal application of the governance framework and ensuring full compliance with the relevant legal and legislative systems.
- Regular periodic review of the Company's management compliance with the governance framework approved and adopted by the Company's Board of Directors.
- Review of the Corporate Governance Report sent annually to the Securities and Commodities Authority and Abu Dhabi Securities Exchange, and making recommendations to the Board of Directors in this regard.

(C) INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT
- Appointment of any external party to perform internal audit functions according to the business's requirements, determining their fees, considering their resignation and termination applications.
- Periodic review of the Company's Internal Control Systems, to assess their efficiency and effectiveness.
- Discussing the Internal Control System with the Executive Management, evaluating its effectiveness and efficiency in performing its mission and tasks in a manner that contributes to the development of internal control systems of the Company.
- Discussing and reviewing the policies and procedures of the Company with its Executive Management, to ensure that its mission is carried out effectively, in a manner that contributes to the development of such policies and procedures.
- Monitoring and following up the implementation of risk management framework and internal control systems according to its policy and working strategies; follow-up and evaluation of efficiency and effectiveness of such policies and strategies by auditing the records and databases, network security and control systems of the operational and strategic units of such departments.
- Examining the results of the key audits on internal control issues (including fraud cases within the Company) previously assigned by the Board of Directors or through an initiative by the Committee with the approval of the Board.

(D) EXTERNAL AUDITOR
- Development and application of the external auditor appointment policy, submission of the report and recommendations to the Board of Directors identifying issues which it considers necessary to take action on and making recommendations on the steps to be taken.
- Coordinating with the Company's Board of Directors, the Executive Management and the Chief Financial Officer in order to perform its duties. The Committee shall meet with the External Auditor at least once a year.
- Discussing the nature, scope and effectiveness of audits, taking into account their compliance with the approved auditing standards.
- Monitoring and following up the independence and objectivity of the External Auditor, and discussing the nature and scope of audits and their effectiveness according to the approved auditing standards.
- Discussing with the External Auditor the appropriateness of the accounting policies applied in the financial statements.
- Reviewing the performance of the External Auditor, and making recommendations to the Board of Directors in this regard.
- Reviewing the External Auditor's mission and work plan and any essential questions raised by the Auditor to the Board of Directors or the Executive Management on the accounting records, financial accounts or control systems, and ensuring that they have been reviewed and discussed, that the necessary actions were taken thereon, and timely responses provided thereon.
- Discussing any problems that the External Auditor may face during his audit, including restrictions that may limit the scope of work or obtaining information needed to complete the work.
- Ensuring coordination between internal and external auditors, availability of resources necessary to manage internal control, and review and control of the efficiency of such management.

(E) INTERNAL CONTROL DEPARTMENT
- Reviewing the activities, resources and organisational structure of the Internal Control Department, reviewing the framework of the Internal Control Department, and reviewing and approving the annual audit plan.
- Considering the process of selecting and appointing the Director of Internal Control Department and the internal audit providers, and their resignation or termination.
- Reviewing the reports submitted to the Committee by the Director of the Internal Control Department and the responses received by the Company's management thereon, ensuring

that the findings and recommendations submitted by the Internal Auditor and suggestions and responses issued by the Executive Management have been received and discussed and the necessary actions were taken thereon, and discussing the Director of the Internal Control Department on any difficulties encountered in carrying out audit functions such as restrictions on the scope of his work or difficulty in obtaining the information necessary to exercise its responsibilities.
- Evaluating the quality of functions of the Internal Control Department and of the Internal Auditor (if any), particularly with regard to planning, follow-up and reporting, and evaluating the performance of the Director of the Internal Control Department and providing him with advice and guidance.
- Ensuring that the Internal Control Department has adequate employees and the appropriate authority and position within the Company.
- Meeting with the Director of the Internal Control Department at least once a year to ensure that there are no outstanding issues which may be of interest.
- Reporting to the Board of Directors on all matters considered by the Committee.

(F) COMPLIANCE
- Reviewing the employees' compliance with the Code of Business Conduct.
- Considering the appointment, resignation or dismissal of the Compliance Officer.
- Reviewing the appropriateness of practices and procedures for compliance with applicable laws, regulations and systems.
- Reviewing and following up:
  - Effectiveness of the follow-up system of compliance with inclusion and disclosure requirements and other legal and legislative requirements related to the Company's activities (including internal rules, regulations and systems).
  - Developments and updates in legislative and legal systems, which may substantially affect the Company.
  - Efforts made by the Company's Management to ensure compliance with the Code of Business Conduct.
- Obtaining regular updates from the Management (and the General Counsel or the Compliance Officer when required) on compliance matters, as well as investigating and considering issues that affect the integrity of the Company's Management Team, including cases of conflict of interests or violation of the Code of Business Conduct, according to the policies and regulations of the Company.

(G) OTHER RESPONSIBILITIES AND COMPETENCIES
- Creating channels of free and open communication between the Audit Committee, External Auditors, Internal Auditors and Company Management.
- Consideration of any other matters or subjects as directed by the Board of Directors in this regard.

(H) EMPLOYEES' REPORTS AND DISCLOSURES
- Development of policies, procedures and controls that enable the employees to report any potential violations in the financial reporting, internal control or other matters in secret, identifying the steps to conduct independent and fair investigations on such violations, and conducting periodic reviews of such policies and procedures.
- Following up the procedures of investigations of such violations to ensure the independence and impartiality of investigations.
- Reviewing the investigation procedures taken by the Company's Management in dealing with the reported violations, and correcting any deviations therein.

The Audit Committee, at its meeting No. 04/2013, reviewed the Company's policy of reporting violations, followed up the development and implementation of the relevant regulations to ensure their effectiveness, and submitted a recommendation to the Board of Directors in this regard, which was approved at its meeting No. 06/2013 held on November 6, 2013.

The Audit Committee held five meetings during 2018 as follows:

Meeting No.	Date
01/2018	February 12, 2018
02/2018	May 14, 2018
03/2018	August 6, 2018
04/2018	September 24, 2018
05/2018	November 14, 2018

The above-mentioned meetings' attendees were as follows:

Member	Position	Meeting 01/2018	Meeting 02/2018	Meeting 03/2018	Meeting 04/2018	Meeting 05/2018	No. of attendances
Mr. Mansour Mohamed Al Mulla	Chairman	✓	✓	✓	✓	✓	5
Mr. Ali Saeed Abdullah Sulayem Al Falasi	Member	✓	✓	✓	✓	✓	5
Mr. Ahmed Khalifa Mohamed Al Mehairi	Member	✓	✓	✓	✓	✓	5

Note:
- Members noted as in attendance at these meetings attended the meetings in person.

6. BOARD OF DIRECTORS COMMITTEES continued

6.2 NOMINATIONS AND REMUNERATIONS COMMITTEE

The Nominations and Remunerations Committee reports to the Board on human resources management and compensation policies that reflect best practices, and makes recommendations on the succession plans of the Board, taking into account the challenges and opportunities facing the Company and the skills and experiences needed in the future.

The Nominations and Remunerations Committee consists of three independent non-executive members. The Chairman of the Committee holds periodic meetings with the Executive Management and the Director of the Human Resources Department, to ensure that the members of the Committee are familiar with the substantive matters falling within the competencies of the Committee.

The Nominations and Remunerations Committee includes the following members:

Members of Nominations and Remunerations Committee	Position
Mr. Martin Lee Edelman	Chairman
Mr. Mansour Mohamed Al Mulla	Member
Mr. Mohamed Haji Al Khoori	Member

Notes:
- The Nominations and Remunerations Committee was restructured by the Board of Directors' decision issued at its meeting No. 07/2017 held on December 18, 2017.
- Mr. Martin Lee Edelman was elected as Chairman of the Nominations and Remunerations Committee by virtue of the Board of Directors' decision at its meeting No. 07/2017 held on December 18, 2017.

The Charter of the Nominations and Remunerations Committee defines the responsibilities of the Committee as follows:
- Ensuring the independence of the independent Members. If the Committee found that a Member lost the requirements for independence, it shall present the matter to the Board to take the necessary actions in this regard in accordance with applicable laws and regulations.
- Development of the policy for the granting of remunerations, benefits, incentives and salaries to the Directors and employees, and reviewing it annually. The Committee shall ensure that the remunerations and benefits granted to the Senior Executive Management are reasonable and proportionate to the performance of the Company.
- Identifying the Company's needs of competencies at the level of Senior Executive Management and employees, and the basis of their selection.
- Development, monitoring, follow-up and period review of the human resources and training policies.
- Development and approval of the policy and mechanism of nomination for the Board of Directors, organisation and follow-up of the procedures for nomination for the Board of Directors according to the applicable laws and regulations.
- Review of the required skills for the membership of the Board of Directors, and preparation of a description of the capabilities and qualifications required for membership of the Board.
- Review of the structure of the Board of Directors and making recommendations regarding changes that may be made to the Board of Directors for approval.
- Any other competencies and functions determined by the Board of Directors from time to time.

Based on the decision of the Board of Directors at its meeting No. 04/2013 held on July 1, 2013, the Board decided that the Nominations and Remunerations Committee shall hold at least one meeting annually to perform its responsibilities and to fulfil its legislative requirements in accordance with the applicable laws and regulations of the Securities and Commodities Authority. Therefore, the Nominations and Remunerations Committee held three meetings during 2018 as follows:

Meeting No.	Date
01/2018	January 28, 2018
02/2018	February 13, 2018
03/2018	May 14, 2018

The above-mentioned meetings' attendees were as follows:

Member	Position	Meeting 01/2018	Meeting 02/2018	Meeting 03/2018	No. of attendances
Mr. Martin Lee Edelman	Chairman	✓	✓	✓	3
Mr. Mansour Mohamed Al Mulla	Member	✓	✓	✓	3
Mr. Mohamed Haji Al Khoori	Member	✓	–	✓	2

Notes:
- Any absence submitted by committee members are considered and taken into account at the beginning of each meeting according to the Company's Memorandum of Association and Articles of Association, and in line with the applicable laws and regulations in this regard.
- Members noted as in attendance at these meetings attended the meetings in person.

6.3 EXECUTIVE COMMITTEE

The Executive Committee plays an advisory role for the Board of Directors. It provides assurance and control of the Company's strategy and sets priorities for projects and performance.

The Executive Committee consists of three (3) independent non-executive members. The Chairman of the Committee holds periodic meetings with the Executive Management to ensure that the members of the Committee are familiar with the substantive matters.

The Executive Committee includes the following members:

Members of the Executive Committee	Position
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	Chairman
Mr. Abubaker Seddiq Al Khoori	Member
Mr. Hamad Salem Mohamed Al Ameri	Member

Notes:
- The Executive Committee was restructured pursuant to the decision issued by the Board of Directors at its meeting No. 06/2017 held on November 12, 2017, following the changes witnessed by the Board and the Executive Management, which were declared after being approved by the Board of Directors at its meeting No. 06/2017 held on November 12, 2017.
- Mr. Waleed Ahmed Salem Almokarrab Al Muhairi was appointed as Chairman of the Executive Committee following the decision of the Board of Directors at its meeting No. 06/2017 held on November 12, 2017.

The Charter of the Executive Committee defines its responsibilities as follows:
- **In the field of investment strategy and policy adoption:**
  - Supervision of the investment strategy and policies at the Company level.
  - Approval of decisions related to investments and development projects according to the limits and restrictions prescribed in the Table of Delegations.
  - Review and approval of the policies and strategies of the development projects and asset management.
  - Approval of the strategy of the Tenders and Purchases Department and awarding tenders related to the substantial tenders according to the limits and restrictions prescribed by the Table of Delegations.

- **In the field of supervision and review:**
  - Review and approval of key performance indicators of the development projects, and following up the level of performance therein.
  - Monitoring the performance of investments and tenders.
  - Review of requirements related to the need to increase the capital, and making appropriate recommendations in this regard.
  - Review of the effects of investments.
  - Review of the main objectives and key financial ratios established by the competent administrative committees.

The Executive Committee held six meetings during 2018 as follows:

Meeting	Date
01/2018	January 28, 2018
02/2018	March 29, 2018
03/2018	May 13, 2018
04/2018	November 8, 2018
05/2018	November 27, 2018
06/2018	December 11, 2018

The above-mentioned meetings' attendees were as follows:

Member	Position	Meeting 01/2018	Meeting 02/2018	Meeting 03/2018	Meeting 04/2018	Meeting 05/2018	Meeting 06/2018	No. of attendances
Mr. Waleed Ahmed Salem Almokarrab Al Muhairi	Chairman	✓	✓	✓	✓	✓	–	5
Mr. Abubaker Seddiq Al Khoori	Member	✓	✓	✓	✓	✓	✓	6
Mr. Hamad Salem Mohamed Al Ameri	Member	✓	✓	✓	✓	✓	✓	6

Notes:
- Any absence submitted by committee members are considered and taken into account at the beginning of each meeting according to the Company's Memorandum of Association and Articles of Association, and in line with the applicable laws and regulations in this regard.
- Members noted as in attendance at these meetings attended the meetings in person.

7. INSIDER AFFAIRS COMMITTEE, AND POLICY ON TRADING BY INSIDERS AND MEMBERS OF THE BOARD OF DIRECTORS IN THE COMPANY'S SHARES

7.1 POLICY ON TRADING BY INSIDERS

The Board of Directors has developed a policy on insiders trading in the Company's shares in accordance with the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies and Bylaw No. 5/2009 of the Abu Dhabi Securities Exchange. This policy enables the Board of Directors and the employees to fulfil their legal obligations when they have material information that may affect the Company's share price in the financial market. It includes a breakdown of the controls regulating trading by insiders, and sets limits on the securities issued by Aldar Properties.

7. INSIDER AFFAIRS COMMITTEE, AND POLICY ON TRADING BY INSIDERS AND MEMBERS OF THE BOARD OF DIRECTORS IN THE COMPANY'S SHARES continued

7.1 POLICY ON TRADING BY INSIDERS continued

This policy prohibits trading if there is a reasonable possibility of exploiting undisclosed or unpublished information related to the business of the Company and if it has an effect on the trading price. This policy applies to the Board of Directors, Executive Management and all employees who have access to material information and data. It is worth mentioning that the Company is fully committed to conducting a periodic review of the list of its insiders and to updating it through the Abu Dhabi Securities Exchange website (the latest update was in November 2018) in line with the Company's strategic and operational projects and plans.

Under this policy, trading by insiders in the Company's shares is prohibited during the trading prohibition periods imposed by the Securities and Commodities Authority and Abu Dhabi Securities Exchange. The Members of the Board of Directors, Executive Management and employees of the Company and the subsidiaries shall inform the Market Department before submitting their applications to Abu Dhabi Securities Exchange for insider trading, regardless of the value and type of the transaction (sale or purchase).

Aldar Properties reserves the right to prohibit or restrict any trading if it considers that there is a possibility of exploitation of unpublished (undisclosed) information in respect of the Company's business, which may affect the trading price of the shares. In addition, a further prohibition period may be imposed, during which no trading by insiders is allowed, whether they are Members of the Board of Directors, members of Executive Management or employees of the Company or its subsidiaries, an example being the prohibition period that took place in conjunction with the period spent in the merger negotiations and discussions between Aldar Properties and Sorouh Real Estate.

The Members of the Board of Directors are aware of their commitments regarding the requirements for disclosure of their trading in the Company's shares, and are committed to all requirements prescribed by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.

7.2 INSIDER AFFAIRS AND TRADING FOLLOW-UP COMMITTEE AND ITS DUTIES

In implementation of the decision of the Chairman of the Securities and Commodities Authority No. (7) of 2016 on standards of institutional discipline and governance of public joint stock companies, the Management of the Company formed a committee specialised in the affairs of insiders and their trading in the Company's shares and securities. In addition, the Management of the Company identified the duties and competencies of such committee as follows:

7.2.1 INSIDER AFFAIRS AND TRADING FOLLOW-UP COMMITTEE

The Insider Affairs and Trading Followup Committee includes the following members:

- Chief Financial Officer.
- General Counsel.
- Head of the Internal Control Department.

7.2.2 DUTIES AND COMPETENCIES OF THE COMMITTEE

The Insider Affairs and Trading Follow-Up Committee has the following duties and competencies:

- Development of a special and integrated register that includes the insiders' names and details, including persons who may be considered as temporary insiders and those who have access to the Company's internal information prior to publication. The record also includes the prior and subsequent disclosures of the insiders.
- Management, follow-up and supervision of the insiders' transactions and ownerships, and maintaining their record.
- Quarterly review of the records and lists of the insiders for continuous update, and consultation with the Executive Management on any updates required to such records and lists according to the requirements of the business of the Company.
- Submission of periodic reports and statements to the Securities and Commodities Authority and Abu Dhabi Securities Exchange.
- Ensuring continuous update of the list of insiders on the Abu Dhabi Securities Exchange website, and making any updates to such list as soon as it occurs.
- Continuous communication with the insiders, and raising awareness of their trading in the Company's shares and securities, including informing and reminding them of the trading prohibition periods, according to the regulations and rules prescribed by both the Securities and Commodities Authority and Abu Dhabi Securities Exchange, to ensure compliance therewith and avoid any violations.
- Periodic review of the insider trading policy, and raising recommendations on any amendments thereto to the Board for approval on time.
- Any other competencies or tasks delegated to the Committee from time to time by the Management of the Company.

During 2018, the Committee developed and drafted the Charter governing its work and regulating its competencies and responsibilities. In addition, the Committee reviewed the insider trading policy to ensure that it complies with the applicable laws and regulations. The committee plays an important and effective role in managing the insiders' affairs and raising awareness among them, by educating them concerning the controls and procedures that govern them and the internal and organisational policies and charters to which they are subject, and informing them of the trading prohibition periods imposed by the relevant authorities and the need not to directly or indirectly exploit any internal or material information for personal interest by trading in the Company's securities. Furthermore, the Committee continuously works and coordinates with Abu Dhabi Securities Exchange to ensure the continuous update of the Company's insiders list through the e-services of the Abu Dhabi Securities Exchange, ensuring continuous compliance with the applicable laws and regulations.

7.3 TRANSACTIONS AND TRADING IN THE COMPANY'S SHARES BY MEMBERS OF THE BOARD OF DIRECTORS AND THEIR DIRECT RELATIVES DURING 2018

Please refer to section 2 of this Report.

8. INTERNAL CONTROL SYSTEM

8.1 BOARD OF DIRECTORS' RESPONSIBILITY FOR THE INTERNAL CONTROL SYSTEM

As explained in section 3 of this Report, the Board of Directors is responsible for supervision of the Company's Internal Control System and reviewing its effectiveness and efficiency. The Board formed the Audit Committee and the Internal Control Department to contribute to the performance of governance responsibilities that fall under its responsibility, with regard to risk management and internal control systems. In addition, the Board of Directors authorized and delegated the Audit Committee to be administratively responsible for the Internal Control Department under an official authorisation issued by the Board of Directors in this regard. The results of such authorisation shall be presented to the Board according to the regulations and legislation prescribed by the Securities and Commodities Authority. This process has contributed to increasing the effectiveness of this Department, and thus reflected positively on the Board of Directors in exercising its authorities and responsibilities.

8.2 HEAD OF THE INTERNAL CONTROL DEPARTMENT

The Internal Control Department is headed by Mr. Haider Najim pursuant to a decision issued by the Board of Directors at its meeting No. 05/2013 held on August 6, 2013. Mr. Haider Najim conducts internal audits and reviews independently and regularly. In addition, he advises the Executive Management to ensure the effectiveness, improvement and development of the Company's internal control and governance processes. Mr. Haider Najim has over twenty years of experience in auditing, operations, compliance and auditing of irregularities. He holds a bachelor's degree in commerce from McGill University, Montreal, Canada; he is a Certified Public Accountant (CPA) licensed by the State of Delaware in USA, and he is also a Certified Internal Auditor (CIA).

8.3 COMPLIANCE OFFICER

The Compliance Officer has been appointed by virtue of a decision issued by the Board of Directors. He is responsible for ensuring compliance by the Company and its employees with issued laws, regulations and decisions, as well as other internal policies and measures. This step followed the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on the standards of institutional discipline and governance of public joint stock companies.

Mr. Mohammad Hatim Abedalrahman was appointed as Compliance Officer by virtue of a decision issued by the Board of Directors at its meeting No. 05/2013 held on August 6, 2013. Mr. Mohammad Hatim Abedalrahman has more than ten years' experience in the field of legal, compliance and institutional discipline. He holds a bachelor's degree from the Faculty of Sharia and Law at the United Arab Emirates University.

8.4 DEALING WITH MATERIAL ISSUES OR PROBLEMS DISCLOSED IN THE ANNUAL ACCOUNTS AND REPORTS

The Board of Directors has established standards and principles of internal control in the Company, which aim at providing objective, independent and reliable advice, as well as providing an ideal environment for internal control that meets the requirements of the Board of Directors and contributes to enhancing the roles of the Board of Directors, the Audit Committee and the Executive Committee, in order to contribute to the proper performance of their duties, functions and responsibilities. It should also be noted that the responsibilities of the Internal Control Department are governed by the Charter approved by the Audit Committee and the Board of Directors, in accordance with the decision of the Chairman of the Securities and Commodities Authority No. 7 of 2016 on standards of institutional discipline and governance of public joint stock companies. This charter is the policy through which the Internal Control Department operates, and contributes to achieving the objectives of the Company and keeping up with its aspirations.

The Internal Control Department reports to the Audit Committee and, as mentioned above, works under its supervision, which enables it to operate independently and objectively, and allows it to distinctively interact with the Chief Executive Officer and the Executive Management Team, making it easier to identify the performance improvement initiatives and business development, as well as providing guarantees that the Company's objectives are effectively achieved. To ensure a high degree of independence in the Internal Control Department's implementation of its activities and performance of its duties, the Head of the Internal Control Department communicates directly with the Members of the Board of Directors. Functionally, he is accountable to the Audit Committee. Administratively, he is accountable to the Chief Executive Officer.

When the Company faces certain material issues, urgent matters or issues disclosed in the annual financial statements or by any other means, the role of the Internal Control Department in this regard is as follows:

- Inclusion of such issues and matters in the audit planning phases.
- Providing advice and advisory services (as necessary) to contribute to the identification and resolution of such issues and matters.
- Ensuring systematic follow-up of steps and actions taken to address such issues and matters.
- Submission of periodic reports to the Board of Directors and the Audit Committee on the development of such issues and matters.

9. RISK MANAGEMENT

Aldar considers that effective risk management is a good management practice. The Company is committed to providing a risk management system to protect shareholders' investments, the rights of the stakeholders, and the assets of the Company, and to prevent violations of the applicable laws and regulations. The Board of Directors is responsible for approval of the risk management policy, review of the effectiveness of this management and ensuring that the Company is able to deal with risks. The Risk Management Committee applies, in direct coordination with the Executive Management and the Audit Committee, the framework of risk management in the Company, and ensures the continuity of the effective performance thereof. The Committee provides advice to the Board of Directors regarding the efficiency and effectiveness of risk management activities and efforts. In addition, the Audit Committee enhances the role of the Board of Directors in fulfilling its obligations and duties related to risk management, in accordance with a decision issued by the Board of Directors at its meeting No. 04/2013 held on July 1, 2013, under which the Risk Management Committee shall be an administrative subordinate of the Audit Committee, as expressly stated in the Charter of the Audit Committee and the Charter of the Risk Management Committee, approved and adopted at the above-mentioned meeting.

The Risk Management Committee has established special risk management standards, developed a risk record, and adapted them to conform with the highest standards in this field. The Company's risk management system ensures consistency of methods of assessing, controlling and communicating risks, and ensures that management efforts are consistent with the strategic objectives and business of the Company.

The Risk Management Policy of Aldar Properties is one of the most important components of the risk management system. A Risk Management Committee was established in 2013 to serve as an administrative committee, whose functions are as follows:

- Identification and assessment of risks that may face the Company's business.
- Considering the practices of mitigation of current risks.
- Development of the Company's risk management framework, which includes:
  - Risk assessment.
  - Risk record.
  - Possibility of risk tolerance.
  - Prioritisation of risks.
  - Risk mitigation and management.
  - Supervision, follow-up and reporting.

This Committee is headed by the Chief Executive Officer, and includes members of the Executive Management. The Committee held three meetings during 2018. The Risk Management Committee also:

- Reviewed and discussed the Charter of the Risk Management Committee.
- Strengthened the risk management framework.
- Developed and updated the Company's risk record.

10. COMMUNICATION WITH SHAREHOLDERS

The Company applies a market disclosure policy, based on corporate governance standards and related requirements and procedures, aimed at providing all shareholders and investors in the market with accurate information in a timely manner. The policy adopted by the Management of the Company shows the actions that the Board directed to implement and is keen to adhere to, to ensure continuous compliance and disclosure according to the requirements of Securities and Commodities Authority and Abu Dhabi Securities Exchange.

In addition, as the Company is keen to apply the highest degree of disclosure, transparency and credibility in the information disclosed, only the following position holders are authorized to disclose any public statements on behalf of the Company, or any other statements attributable thereto:

- Chairman and Members of the Board of Directors.
- Chief Executive Officer.
- Executive Management Team.
- Rapporteur.

From time to time, the Company holds meetings with analysts and investors to provide them with the necessary information. In such cases, no information shall be disclosed unless it was disclosed to the market previously or at the same time. Aldar Properties does not make any comments about market expectations or rumours, unless they are related to an official question issued by regulatory bodies such as the Securities and Commodities Authority and Abu Dhabi Securities Exchange.

The General Assembly is the primary opportunity for shareholders to meet face-to-face with the Board of Directors and Executive Directors. The shareholders receive notices of the meetings, specifying the time and place of the meeting, in addition to the subjects on the agenda. The notice is accompanied by a form of proxy with instructions on how to fill it in and return it to the Company by registered mail, in order to encourage as many shareholders as possible to participate in the meetings.

During the meetings, the attendees are given the opportunity to ask questions, and the chairman of the meeting shall discuss as many issues and subjects as possible during the available time. The Board Members are encouraged to be present after the meeting to discuss issues with shareholders. In addition, the External Auditor shall attend the General Assembly meeting to answer any questions raised.

11. CODE OF BUSINESS CONDUCT

The success of the Company depends on its reputation in implementing projects, integrity in its dealings and professional ability. It adheres to the highest standards of professional and legal conduct, taking into consideration all applicable laws and regulations in conducting its business.

The Code of Business Conduct is a duty and commitment for the Board of Directors and the employees, and an integrated part of their working method. The Code of Business Conduct is summarized in the Company's Code of Business Conduct applied by the company and approved by the Board of Directors. It should be noted that the Board of Directors, at its meeting No. 06/2013 held on November 6, 2013, has reviewed and approved this Charter.

12. EMPLOYEES' DISCLOSURE MECHANISM

In accordance with the Code of Business Conduct, the Company has developed a disclosure policy for the employees, to ensure that the employees are able to disclose their fears and concerns about any inappropriate conduct without being subjected to persecution, harassment or discrimination, as well as to ensure the confidentiality of the investigations. The Audit Committee, at its meeting No. 04/2013 held on November 6, 2013, has reviewed the violation reporting policy, as stated in paragraph (H) of section 6.1 above.

This disclosure mechanism allows the employees to express their concerns in a responsible and confidential manner, without disclosing their personal data (if they wish), without fear of being subjected to discrimination. In addition, the Company takes appropriate measures to independently investigate any matters relating to this mechanism.

13. CONFLICTS OF INTERESTS

The Company requires the Directors and Senior Executives to report any conflict of interests that may be involved in their acts and to refrain from participating in discussion of or voting on such matters whenever necessary, in addition to the general guidelines contained in the Company's Articles of Association, the Code of Business Conduct and the Charter of the Board of Directors, in accordance with the decisions, laws and regulations issued by the Securities and Commodities Authority and other regulatory and legislative bodies. A series of procedures for compliance with laws with regard to management of conflicts of interest have been developed. The Company urges the Directors to raise any issue that may lead to a conflict of interest before the Chairman and the Directors.

14. VIOLATIONS COMMITTED BY THE COMPANY DURING 2018

The Company did not commit any material violations with respect to the regulations during the year ended on December 31, 2018.

15. THE COMPANY'S SOCIAL RESPONSIBILITY

Through its social responsibility, the Company aims at creating sustainable value for shareholders, employees, suppliers, customers, business partners and the communities in which it operates, by maintaining the feasibility of business and supporting the local community of the UAE and other communities, taking into account the social, environmental, ethical and economic aspects of all acts of the Company.

The Company also aims at fulfilling all social, environmental and corporate responsibilities imposed by the regulations and legislations in the environment through which it operates. For this purpose, Aldar Properties integrates the environmental and social considerations into its decision-making and operational processes, helping to understand the direct and indirect impacts of its operations; this in turn leads to better decisions, improving the effectiveness of and adding value to the Company's work, by reducing risks, improving operational efficiency and creating an ideal working environment.

The company's social responsibility policy is implemented by focusing on the following aspects:

- Governance – through the Code of Business Conduct and accountability.
- Employees – by creating an ideal working environment.
- Environment – by the management of the impact of the Company's operations on the environment.
- Suppliers – by working with a group of experienced suppliers and service providers to enhance the company's social responsibility.
- Customers – by providing them with expertise and added value.
- Community – by supporting and investing in the local communities through which the Company operates.

Social responsibility has been categorized into community and corporate initiatives to focus and effectively strengthen Aldar Properties' efforts. Aldar Properties has participated in a number of activities and events in the context of its efforts to contribute to the building of local communities and preserving its environment. These activities include the following:

- **Sandooq Al Watan:** Aldar Properties contributed AED 36 million to Sandooq Al Watan, the National Fund charged with the responsibility of promoting sustainable development, a decent life and a bright future for all the people of the United Arab Emirates (UAE). The contribution reflects the priority that Aldar attributes to its corporate and social responsibility as a leader in the community.
  Aldar's latest contribution to Sandooq Al Watan is in addition to the company's previous donations of AED 48 million, bringing the total contribution to the fund to AED 84 million. Sandooq Al Watan is a community initiative that seeks to promote a sense of social cohesion in Emirati society. The initiative aligns with the UAE leadership's vision for a sustainable development and a better future for the country and its citizens. It is rooted in the UAE's national values of charity, generosity and social solidarity, and synchronizes community efforts to forecast and plan for the future. Sandooq Al Watan seeks to steer investments into the UAE's human capital with projects and initiatives that focus on the strategic sectors that most affect people's lives.

15. THE COMPANY'S SOCIAL RESPONSIBILITY continued

- **Special Olympics:** Aldar Properties signed up as an Official Partner to the Special Olympics World Games Abu Dhabi 2019, taking place in Abu Dhabi from March 14 to March 21, 2019. The sponsorship agreement follows Aldar's role as an Official Partner for the recent Special Olympics IX MENA Games, also held in the UAE capital.
  Held under the patronage of His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, the Special Olympics World Games Abu Dhabi 2019 will see the largest sports and humanitarian event in the world come to Abu Dhabi, marking a debut in the history of the MENA region. In line with its commitment to corporate social responsibility, Aldar is pleased to support this event, which celebrates the power of inclusion and diversity.
- Plane Sponsorship: Sponsored a flight to Kuwait for the public to cheer the UAE Team during the Gulf Cup Final.
- Invited orphans from the Red Crescent to attend one of Aldar's community events that are held on Al Raha Beach, the Aloha Event, and provided them with gifts and food vouchers.
- Public Art Initiative: Sponsored a trip for a group of UAE national artists to Japan to research public art and the local policy.
- Innovation Awards: In partnership with the Ministry of Economy, Aldar sponsored the awards during the Innovation Festival in Umm Al Emarat Park.
- Aldar partners with a national health initiative called Shwaiman, and provided its Island, Al Dana Island, for the Festival.
- Aldar sponsors the General Authority of Sports Fund for AED 500,000.
- Aldar provided Iftar to its staff and labourers who worked during Iftar in Ramadan.
- **Environment Initiative to Reduce Plastic in Yas Mall and The Mall World Trade Center.** Aldar malls have developed an environment awareness campaign to encourage the public on reducing the amount of plastic consumed by distributing reusable fabric bags and showcasing local products that are sustainable.
- Aldar organized weekly sport programmes for the staff, in order to improve their health and help them to achieve balance between work and positive energy. In addition, the Company allocates sports programmes for the company's female employees in the health club in the company headquarters.
- **Volunteering Policy:** In the establishment of the CSR department, Aldar wants to involve its staff in giving back to society. Therefore, a volunteering policy was created to promote a culture of "giving" and allowing Aldar employees to make a difference. The policy was approved by the management, and this is a testimony to the importance of including our people in our CSR initiatives.
- **Aldar Youth Council:** As part of building a sustainable nation, the leaders of the United Arab Emirates have spearheaded a movement aimed at developing the nation's youth and utilizing their skills to build a better future for the country. The Aldar Youth Council was specifically created to empower the Aldar youth, by providing a platform that will enable the youth to unlock their full career potential and support organisational change in conjunction with internal stakeholders.
- **Aldar Women's Initiative Network:** We have developed a great initiative internally to promote inclusion and diversity: WIN (Women's Initiative Network). The Women' Initiative Network has been created to support the women of Aldar.
  The WIN agenda is to implement equality initiatives that will fast-track a more balanced representation of Aldar women and to achieve gender balance within Aldar.
  WIN is structured around all the diverse group of women working across different departments and branches of Aldar who will determine its key areas of activity and will collectively agree its initiatives.

16. GENERAL INFORMATION

16.1 THE COMPANY'S SHARE PERFORMANCE DURING 2018

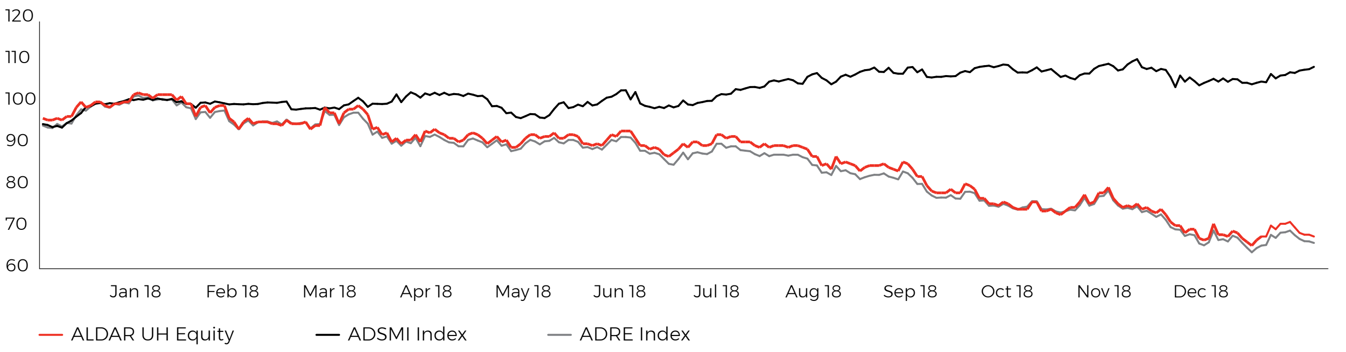
Trading in the Company's shares witnessed strong activity during the year ended on December 31, 2018. The following table provides an overview of the Company's share price at the end of each month of the year ended on December 31, 2018.

Date	Opening (AED)	Highest Price (AED)	Lowest Price (AED)	Closing (AED)	Quantity (shares)	Value (AED)	No. of Transactions	Change AED	Change %
January 2018	2.22	2.34	2.21	2.29	130,195,651	297,129,705.49	3,860	0.09	4.09
February 2018	2.30	2.31	2.09	2.16	108,613,456	239,328,782.78	2,731	0.13	5.68
March 2018	2.16	2.30	2.09	2.13	179,860,980	395,820,170.54	3,976	0.03	1.39
April 2018	2.12	2.15	2.01	2.10	151,977,157	317,197,339.85	3,553	0.03	1.14
May 2018	2.09	2.15	2.00	2.05	225,901,526	468,340,591.07	6,700	0.05	2.38
June 2018	2.05	2.14	1.96	2.02	195,795,908	402,685,363.91	4,034	0.03	1.46
July 2018	2.03	2.10	2.01	2.03	75,306,536	154,374,541.77	2,421	0.01	0.50
August 2018	2.04	2.05	1.90	1.93	83,259,845	163,161,426.88	2,627	0.10	4.93
September 2018	1.92	1.97	1.76	1.82	141,613,996	260,441,712.22	3,140	0.11	5.70
October 2018	1.83	1.84	1.63	1.73	118,375,442	202,611,244.83	2,962	0.09	4.95
November 2018	1.73	1.82	1.60	1.60	103,633,576	176,013,735.80	2,949	0.13	7.51
December 2018	1.63	1.63	1.00	1.60	111,146,646	172,193,953.49	3,621	0.00	0.00

Source: Abu Dhabi Securities Exchange

16.2 COMPARATIVE PERFORMANCE OF ALDAR PROPERTIES' SHARES AND THE GENERAL MARKET INDEX AND SECTOR INDEX DURING 2018

The following diagram shows the comparative performance of the Company's shares with the general market index and the real estate sector index during the year ended on 31, December 2018.



Source: Bloomberg

16. GENERAL INFORMATION continued

16.3 STATEMENT OF DISTRIBUTION OF SHAREHOLDERS' OWNERSHIP AS ON DECEMBER 31, 2018 (INDIVIDUALS/COMPANIES/GOVERNMENTS; LOCAL/GULF/ARABIC/FOREIGN)

The following table shows the distribution of shareholders' ownership (individuals, companies and governments), categorized as local, Gulf, Arabic and foreign) as on December 31, 2018.

Investor/ Shareholder	Customer Type	No. of Shareholders	No. of Shares	Ownership Percentage in the Capital Category	Total Shares
Local	Government	6	3,122,922,181	39.72%	5,829,535,927 (74.14%)
	Companies	446	1,343,974,346	17.09%	
	Individuals	43,280	1,362,639,400	17.33%	
Gulf	Government	2	32,648,343	0.42%	196,907,789 (2.50%)
	Companies	62	148,958,439	1.89%	
	Individuals	168	15,301,007	0.19%	
Arabic	Government	0	–	0%	85,558,408 (1.09%)
	Companies	17	10,041,720	0.13%	
	Individuals	978	75,516,687	0.96%	
Foreign	Government	2	10,661,673	0.14%	1,750,627,479 (22.27%)
	Companies	525	1,661,936,423	21.14%	
	Individuals	1,081	78,029,383	0.99%	
Total		46,567	7,862,629,603	100%	7,862,629,603 Shares (100%)

Source: Abu Dhabi Securities Exchange

16.4 OVERVIEW OF SHAREHOLDERS WHOSE OWNERSHIP PERCENTAGE EXCEEDS 5% OF THE COMPANY'S CAPITAL AS ON DECEMBER 31, 2018

The following table shows the shareholders whose ownership percentage exceeds 5% of the Company's capital as on December 31, 2018.

Shareholder	No. of Shares	Ownership Percentage
Mubadala Development Company	2,339,464,326	29.75%
Al Sarya Investment	595,944,021	7.58%

Source: Abu Dhabi Securities Exchange

16.5 STATEMENT OF DISTRIBUTION OF SHAREHOLDERS ACCORDING TO THEIR OWNERSHIP PERCENTAGE AS ON DECEMBER 31, 2018

The following table shows the distribution of shareholders according to their ownership percentage as on December 31, 2018.

Share Ownership (Shares)	No. of Shareholders	No. of Owned Shares	Owned Shares as Percentage of the Capital
Less than 50,000	43,456	124,784,451	1.6%
From 50,000 to less than 500,000	2,203	384,933,356	4.9%
From 500,000 to less than 5,000,000	749	1,107,998,742	14.1%
More than 5,000,000	159	6,244,913,054	79.4%
Total	46,567	7,862,629,603	100%

Source: Abu Dhabi Securities Exchange

16.6 CONTROL OF INVESTOR RELATIONSHIPS WITH LISTED COMPANIES

According to the decision of the Chairman of the Securities and Commodities Authority No. 7/ RM on standards of institutional discipline and governance of public joint stock companies, and the circular issued by the Authority on the controls of investor relationships with listed companies, and on the basis of Aldar Properties' keenness on the optimal application of the applicable rules and regulations in this regard, the Company, during 2017 and 2018, has stimulated and developed the Investor Relations Department and strengthened its role through the fulfilment of the primary and secondary requirements of the Investor Relations Department This has been done in a manner that contributes to raising the consistency and quality of responses to the external inquiries of analysts, investors and shareholders, as well as strengthening the Company's investment relations and market linkages, and enhancing the knowledge and awareness of the stakeholders and their understanding of the data on the performance of the Company through the application and enforcement of the best ways to communicate with the Company, improvement of the level of submitted reports, and an advanced and efficient structure at the Senior Management level. These ensure a high level of disclosure, transparency and interaction with markets.

From this viewpoint, the Company has developed and updated its Investor Relations Department website in accordance with the Securities and Commodities Authority's applicable requirements and controls of investor relations management, in an efficient and effective manner. Shareholders, potential investors, stakeholders and the public can visit this website: http://www.aldar.com/en/article/investor-relations/investor-relations-overview.html

In addition, to ensure efficient and effective realisation of the role and objectives of the Investor Relations Department, the Company appointed officials specialised in investor relationships management, who have scientific qualifications and experiences in the fields of business, accounting and public relations, and full knowledge of the Company's activities and opportunities, and are familiar with the relevant legal and legislative requirements of the relevant authorities. In addition, they have the skills and ability to interact with customers and provide them with technical and financial information on the Company easily and smoothly, in both Arabic and English, through various channels of communication. In 2018, the officials of this department conducted a series of meetings with current shareholders and potential investors, at the local and international levels, to enhance awareness and knowledge of the Company's projects and financial position, in a manner that enhances the confidence in the Company's performance, projects and portfolio of assets, as well as the Company's future expansion and growth prospects.

The following table shows the details and contact information of the Investor Relations Department officials.

Investor Relations Department officials	• Mr. Christopher Wilson • Mr. Mohamed Al Maazmi
Contact Information	
Phone	00971 2 8105555 or 00971 2 8105624 or 00971 2 8105866
Fax	00971 2 8105550
P.O. Box	51133 – Abu Dhabi
Email	cwilson@aldar.com malmaazmi@aldar.com
Address	Aldar Properties Headquarters (ALDAR HQ) – Al Raha Beach – Abu Dhabi

16.7 SPECIAL DECISIONS TAKEN IN THE GENERAL ASSEMBLY MEETINGS OF SHAREHOLDERS DURING 2018, AND ACTIONS TAKEN IN RESPECT THEREOF

In accordance with the applicable laws and regulations, a special decision is a decision issued by a majority vote of shareholders who own at least three-quarters of the shares represented in the General Assembly meeting of the joint stock company.

The agenda of Aldar Properties' General Assembly meeting held on March 21, 2018, included three clauses requiring a special decision by the shareholders, which were unanimously approved by the shareholders present at that meeting. These clauses are as follows:

- Approval of providing voluntary community contributions by the Company during 2018, and authorizing the Board of Directors to determine the entities to whom such amounts will be allocated, provided that such voluntary contributions shall not exceed 2% of the average net profit of the Company achieved during the fiscal years 2016 and 2017, and provided that such voluntary contributions are made for the purposes of community service and subject to the provisions of Federal Law No. 02 of 2015 on commercial companies in this regard.
- Based on the approval issued by consensus of the shares represented at the General Assembly meeting of the Company, the Board of Directors approved and allocated amounts of money and voluntary contributions to serve the community, within the powers and standards granted to it, and in accordance with the legal requirements in this regard. The most important of these was announced by the Company on May 6, 2018: its contribution of AED 36 million to support Sandooq Al Watan (National Fund).
- Approval of increasing the maximum foreign ownership in the Company's capital from 40% to 49%, and amendment of Article 7 (National Ownership) of the Company's Articles of Association accordingly as follows:

Before Amendment	*After Amendment*
Article 7 National Shareholding	Article 7 National Shareholding
All shares in the Company shall be nominal shares. Ownership of shares by United Arab Emirates nationals **(UAE Nationals)** must not be less than sixty per cent (60%) of the issued share capital. The term "UAE Nationals" shall be restricted to natural persons with United Arab Emirates nationality or establishments, companies or entities established in the United Arab Emirates and wholly owned by United Arab Emirates individuals, and in addition federal and local government authorities and departments or companies and establishments wholly owned by them or by an individual emirate or companies wholly owned by an individual Emirate. Non United Arab Emirates natural and corporate persons, establishments, companies, entities and funds may own up to (40%) forty per cent of the issued share capital of the Company.	All shares in the Company shall be nominal shares. Ownership of shares by United Arab Emirates nationals **(UAE Nationals)** must not be less than (51%) fifty-one per cent of the issued share capital. The term "UAE Nationals" shall be restricted to natural persons with United Arab Emirates nationality or establishments, companies or entities established in the United Arab Emirates and wholly owned by United Arab Emirates individuals, and in addition federal and local government authorities and departments or companies and establishments wholly owned by them or by an individual emirate or companies wholly owned by an individual Emirate. Non United Arab Emirates natural and corporate persons, establishments, companies, entities and funds may own up to (49%) forty-nine per cent of the issued share capital of the Company.

Based on the approval issued by consensus of the shares represented at the General Assembly of the Company, the Company took the necessary measures to complete the legal procedures and requirements required to enforce this decision, amended the Company's Articles of Association, and published it in the Official Gazette. In addition, the Company communicated with the relevant departments of the Securities and Commodities Authority and Abu Dhabi Securities Exchange regarding the implementation and application of this decision in the relevant financial market regulations. This decision entered into effect as of April 15, 2018.

16. GENERAL INFORMATION continued

- Amendment of paragraph 4 of Article 24 (Quorum of Board's Meetings and Decisions) of the Company's Articles of Association by deleting Clause (A) of paragraph 4 of this Article, which determines the number of times the decisions may be passed by the Board Council with four decisions per year, according to Article 7 of the decision of the Chairman of the Securities and Commodities Authority No. (7/RM) of 2016 on standards of institutional discipline and governance of public joint stock companies regarding the decisions passed by the Board of Directors. Therefore, the text of paragraph 4 of Article 24 (Quorum of Board's Meetings and Decisions) of the Company's Articles of Association becomes as follows:

Before Amendment	*After Amendment*
Paragraph 4 of Article 24 (Quorum for Board Meetings and Resolutions)	Paragraph 4 of Article 24 (Quorum for Board Meetings and Resolutions)
24.4 Without prejudice to the requirement to hold a minimum of four (4) Board meetings per year, the Board may, in urgent circumstances, adopt resolutions in writing by circulation, signed by the majority of the Directors. Such resolution by circulation shall be valid and effective as if they had been adopted at a Board of Directors' meeting duly convened and held and may consist of several counterparts in like form, each signed by one or more of the Directors, provided that: (a) the resolutions by circulation do not exceed four times per year; (b) the majority of the Directors agree that the matter requiring a resolution by circulation is urgent; (c) the resolutions are delivered to all the Directors in writing and accompanied by all the required supporting documents and papers; and (d) any resolution by circulation must be adopted in writing by a majority of the Directors and must be submitted at the next Board of Directors' meeting to be included in the minutes of such meeting.	24.4 Without prejudice to the requirement to hold a minimum of four (4) Board meetings per year, the Board may, in urgent circumstances, adopt resolutions in writing by circulation, signed by the majority of the Directors. Such resolution by circulation shall be valid and effective as if they had been adopted at a Board of Directors' meeting duly convened and held and may consist of several counterparts in like form, each signed by one or more of the Directors, provided that: (a) the majority of the Directors agree that the matter requiring a resolution by circulation is urgent; (b) the resolutions are delivered to all the Directors in writing and accompanied by all the required supporting documents and papers; and (c) any resolution by circulation must be adopted in writing by a majority of the Directors and must be submitted at the next Board of Directors' meeting to be included in the minutes of such meeting.

Based on the approval issued by consensus of the shares represented at the General Assembly meeting of the Company, the Company took the necessary measures to complete the legal procedures and requirements required to enforce this decision, amended the Company's Articles of Association, and published it in the Official Gazette. In addition, the Company communicated with the relevant departments of the Securities and Commodities Authority and Abu Dhabi Securities Exchange regarding the implementation and application of this decision.

16.8 RAPPORTEUR OF THE MEETINGS OF THE BOARD OF DIRECTORS AND THE DATE OF APPOINTMENT THEREOF

Aldar Properties, its Board of Directors and its Executive Management believe in the role played by the Rapporteur of the Board of Directors' meetings in organising the work of the Board of Directors and its Committees and the ongoing coordination of matters and issues relating to the meetings of the Board and its Committees This includes scheduling meetings, organising the agenda, organisation and coordination of the Members before and during the meetings, preparing their minutes, arranging for the signature and adoption thereof, as well as coordination of communication between the different departments of the Company in relation to decisions issued by the Board and its Committees, to ensure the optimal implementation of such decisions. In addition, the Rapporteur contributes to the continuous communication with the Members of the Board and provision of various information and requirements related thereto, in a manner that ensures that they perform an effective role in their duties as Members of the Board of Directors, according to the applicable laws, regulations and decisions.

Mr. Brett Alexander Scrymgeour was appointed as Rapporteur by virtue of the decision issued by the Board of Directors at its meeting No.(04/2013 held on July 1, 2013. Mr. Brett Alexander Scrymgeour has approximately 17 years' experience in legal affairs and institutional compliance. He holds a bachelor's degree in law and a bachelor's degree in arts from Queensland University of Technology, Australia.

16.9 MATERIAL EVENTS EXPERIENCED BY THE COMPANY DURING 2018

The year 2018 witnessed a great turnout on sales of residential units in all projects launched by Aldar Properties, which was supported by the lack of high-quality residential projects launched in the market during that period, as well as the actual execution of the new Abu Dhabi Real Estate Law, which was announced in the middle of 2015 and entered into effect at the beginning of 2017, contributing to the regulation of the real estate market in the Emirate of Abu Dhabi and attracting investors to this vital sector. In addition, the asset management activity saw steady growth. Following are the key events experienced by Aldar Properties in 2018:

- **Announcement of joint ventures and strategic partnership between Aldar Properties and Emaar Properties**

  On March 20, 2018, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of the Emirate of Dubai – God bless him – and His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, and Deputy Supreme Commander of the UAE's Armed Forces – God bless him – in the presence of His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown

Prince of Dubai, witnessed the announcement of the strategic partnership between Aldar Properties and Emaar Properties, by launching new global destinations which enhance the urban landscape in the UAE. It was announced that the major developers have signed a cooperation agreement for the implementation of international destinations with local and foreign investments of AED 30 billion, including the partnership in the development of Saadiyat Grove in Abu Dhabi and Emaar Beachfront in Dubai.

- **Aldar Properties launches "Reflection" project on Al Reem Island**
  On March 24, 2018, Aldar Properties announced the launch of its new residential project on Al Reem Island, worth AED 440 million. The project consists of two adjacent towers and a small garden between them. It includes 374 residential units, including studios and one-, two- and three-bedroom apartments, providing an opportunity for all investors and owners to own apartments in the heart of Abu Dhabi.

16.9 MATERIAL EVENTS EXPERIENCED BY THE COMPANY DURING 2018 continued

- **Increasing the maximum foreign ownership in the capital of Aldar to 49%**
  On April 15, 2018, Aldar Properties has announced that it has increased the maximum foreign ownership in the Company's capital from 40% to 49%, after completion of all procedures and fulfilment of all legal requirements in this regard. This decision entered into force as of April 15, 2018. This announcement came after the shareholders' approval of the increase at Aldar Properties' General Assembly meeting held on March 21, 2018.
- **Aldar launches master plan for Al Ghadeer Project worth AED 10 billion**
  On April 16, 2018, Aldar Properties announced the launch of a new master plan worth AED 10 billion to expand Al Ghadeer Project, one of the distinctive destinations of Aldar Properties, which is located in Seih Al Sedira between Abu Dhabi and Dubai. The master plan of Al Ghadeer Project includes 14,408 residential units (villas and townhouses). Its residential gross floor area exceeds 1.3 million square metres, in addition to office spaces, hotels, retail shops, and educational and community facilities.
- **Aldar acquires assets of AED 3.7 billion from Tourism Development & Investment Company in Abu Dhabi**
  On May 7, 2018, Aldar Properties announced that it has entered into an agreement to acquire a portfolio of distinctive real estate assets from Tourism Development & Investment Company in Abu Dhabi worth AED 3.7 billion. This transaction is one of the largest real estate acquisitions in the history of the UAE. As part of this transaction, Aldar Properties acquired real estate assets in key destinations on Saadiyat Island. It includes 14 operational projects in various sectors, including hotel assets, retail spaces, and residential buildings, in addition to schools, infrastructure projects, a set of strategic plots and projects under development on Saadiyat Island.
- **Government Decree on the ownership of properties located in Abu Dhabi by the subsidiaries of Aldar Properties**
  On September 10, 2018, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, and Deputy Supreme Commander of the UAE's Armed Forces – God bless him – issued Decree No. 58 on Aldar Properties, which provides that the companies owned by Aldar Properties by at least 50% of the capital shall have the right to own, whether directly or indirectly, properties in the Emirate of Abu Dhabi as of July 25, 2018.
- **Aldar launches Aldar Investment Company, the largest real estate investment company in the region**
  On September 12, 2018, Aldar Properties announced the establishment of Aldar Investment Company to be the largest diversified real estate investment company in the region, following the recent Decree issued by Abu Dhabi Executive Council on the ownership of properties in Abu Dhabi. The new company owns and manages a number of major real estate assets in Abu Dhabi with a total value of over AED 20 billion (USD 5.4 billion).
- **Aldar launches a series of meetings on Aldar Investments with investors in fixed-income instruments, and submits a bid for bonds in the value of USD 750 million**
  On September 17, 2018, Aldar Properties announced that Aldar Investment Company (wholly owned by Aldar Properties) had launched a promotional campaign and a series of meetings with investors in fixed-income instruments in the Middle East, Europe and Asia as of September 18, 2018. These meeting aims at issuing bonds of a specific value in USD for periods of five to ten years. The result of this issuance is subject to market conditions.
- **Aldar successfully completes refinancing through new bonds to the value of USD 500 million for 7 years**
  On September 25, 2018, Aldar Properties announced that Aldar Investment Company (wholly owned by Aldar Properties) had successfully issued the first bond of USD 500 million at a fixed interest rate for seven years. Aldar Investments is the largest diversified real estate investment company in the region, and has the highest credit rating for a non-governmental company. The new version embodies the strength of Aldar Investments in long-term borrowed capital issuance in an effective and independent manner, in addition to the successful refinancing of the debt maturities of Aldar Properties.
- **Aldar acquires Khedma Company in full**
  On September 26, 2018, Aldar Properties announced the acquisition of 40% of the capital of Khedma Company, UAE, a leading company in property management and services. Under this transaction, Aldar Properties has completed its acquisition of Khedma Company in full. This acquisition supports Aldar Properties' commitment to implement the best international standards in the field of property management to create added value for owners and tenants of properties.
  As well as other material events that have been disclosed by the Securities and Commodities Authority, Abu Dhabi Securities Market and various media outlets during 2018.

16.10 LOCALISATION PERCENTAGE IN THE COMPANY AS ON DECEMBER 31, 2018

Aldar Properties has adopted a policy that contributes to attracting experienced and qualified national personnel who play a fundamental and effective role in supporting the Company's progress, projects and business, in a way that enhances the Company's capabilities and resources, and contributes to support the development process witnessed by the Emirate of Abu Dhabi under the approach of our wise leadership. In this regard, it is worth mentioning that the Company succeeded in raising the Emiratization percentage during the 2018, as the Emiratization percentage reached 28.2% of the total number of employees of the Company as on December 31, 2018.

16. GENERAL INFORMATION continued

16.11 PROJECTS AND INNOVATIVE INITIATIVES PERFORMED BY THE COMPANY DURING 2018

Aldar Properties firmly believes in the importance of adopting projects and innovative initiatives that would meet the needs and requirements of communities, customers, shareholders, stakeholders and investors in general. The Company is keen to provide a transparent and competitive investment environment to enhance the efficiency of the real estate sector through which the Company operates, and to enhance and encourage the attractiveness of professional expertise and capital to work and invest in this vital sector. During 2018 (in line with what was initiated in 2017), Aldar Properties played an important and substantial role in adopting many initiatives and continuous coordination with real estate customers in Abu Dhabi (individuals, companies and governmental and non-governmental entities) as follows:

- Development of policies, procedures and foundations that contribute to the optimal application of the new Real Estate Law of the Emirate of Abu Dhabi, in a manner that contributes to enhancing the efficiency of this vital sector, achieves a high degree of integration and coordination between public and private companies and institutions, and contributes to pushing the wheel of progress and prosperity based on the principles and foundations adopted by our wise leadership.
- Aldar Properties launched a direct electronic application that includes all options and products that the Company has on the market. This application facilitates the process of communication with shareholders, customers, stakeholders and others interested in investing in real estate, by providing comprehensive information regarding real estate products (units, villas, land, townhouses, etc.), whether for sale or lease. In addition, the Company provides early booking services through this application and/or the Company's website.

Approval of the Board of Directors

Approved by the Board of Directors at its meeting No. 01/2019 held on February 13, 2019

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 2018.

PRINCIPAL ACTIVITIES
The principal activities of the Group are property development, investment and management of its real estate assets including offices, malls, hotels, schools, marinas, golf courses, restaurants, cooling assets and beach clubs.

FINANCIAL RESULTS
The financial results of the Group have been presented on pages 82-141 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 2018.

DIRECTORS
The members of the Board of Directors as of 31 December 2018 are:

H.E. Mohamed Khalifa Al Mubarak	Chairman
H.E. Abubaker Seddiq Al Khoori	First Vice Chairman
H.E. Waleed Ahmed Al Mokarrab Al Muhairi	Second Vice Chairman
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 2018.

On behalf of the Board of Directors

Mohamed Al Mubarak
Chairman
13 February 2019

Jawaher, Al Saadiyat

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 2018, 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 2018, 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 in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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 AND VALUATION OF UNBILLED RECEIVABLES

Revenue recognition on property development and sales and valuation of unbilled receivables 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 4.2 to the consolidated financial statements).

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

Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations, estimation of total cost of project completion and judgements made in assessing the timing of revenue recognition. Furthermore, the valuation of unbilled revenues on completed as well as on-going development projects required management judgement due to the specific risks associated with each development project.

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 a sample of significant projects, we recalculated the amount of revenue to be recognised.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

KEY AUDIT MATTERS continued

We evaluated the adequacy of the valuation of unbilled revenues on completed as well as on-going development projects. In addition, we evaluated the adequacy of the Group's disclosures regarding unbilled revenues and the related risks such as credit risk as disclosed in note 34.6 of the consolidated financial statements.

(B) VALUATION OF INVESTMENT PROPERTIES

The Group's investment properties consist mainly of retail, residential and office properties, which are measured and recognised at fair value in the consolidated financial statements.

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 4.2 and 8 to the consolidated financial statements).

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 2,278 thousand as at 31 December 2018. 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 4.2 and 6 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 the 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) BUSINESS COMBINATION

The Group has acquired a portfolio of real estate assets and operating businesses from Tourism Development & Investment Company P.J.S.C ("TDIC"), for a total consideration of AED 3,625 million, resulting in a gain of AED 132.8 million. The assets and operating businesses acquired are involved in the hospitality, retail, residential, district cooling, education and infrastructure development businesses. This acquisition is part of the Group's strategic plan to expand its portfolio. On 1 May 2018, the conditions precedent under the Agreement were substantively met, resulting in the Company gaining control of these assets and the operating businesses. (see note 4.2 and 5 to the consolidated financial statements).

An independent external valuation specialist ("valuers") was engaged by the Group to perform the purchase price allocation exercise, fair valuation of required assets and liabilities, and identification and valuation of the TDIC assets/businesses. The acquisition of assets/businesses is a key audit matter as this is a significant transaction during the year which requires significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired assets/businesses with those of the Group.

We obtained the purchase price allocation report prepared by management and the independent valuers engaged by the Group. We involved our internal valuation specialists in reviewing the report. The review included discussions with management and consideration of overall reasonableness of the assumptions and valuations in line with our expectations. Further, we assessed the key assumptions including cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA') and appropriateness of discount and growth rates, whilst considering the risk of management bias.

We read the valuation reports for properties acquired as part of business combination 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 obtained a confirmation from TDIC regarding the completeness of the assets and liabilities acquired as part of the business combination.

OTHER INFORMATION

Other information consists of the information included in the Group's 2018 Annual Report and Board of Director's 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 2018 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 do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 judgement and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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 Board of Directors report is consistent with the books of account and records of the Group;
v) investments in shares and stocks are included in note 9 and 10 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2018;
vi) note 32 reflects material 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 2018, 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 2018; and
viii) note 37 reflects the social contributions recorded during the year.

Signed by:

Anthony O'Sullivan
Partner
Registration No: 687

13 February 2019
Abu Dhabi

Consolidated Statement of Financial Position
At 31 December 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,600,971**	2,930,941
Intangible assets and goodwill	7	**198,117**	5,104
Investment properties	8	**16,408,303**	16,076,549
Investment in associates and joint ventures	9	**993,531**	957,631
Available-for-sale financial assets	10	**–**	119,389
Investment in financial assets at fair value through other comprehensive income	10	**96,116**	–
Other financial asset	20	**14,024**	–
Trade and other receivables	11	**399,002**	427,211
Total non-current assets		**21,710,064**	20,516,825
Current assets			
Land held for sale		**3,806,071**	2,305,747
Development work in progress	12	**2,473,374**	1,476,818
Inventories	13	**469,144**	286,601
Trade and other receivables	11	**5,070,445**	4,925,449
Cash and bank balances	14	**5,014,607**	6,885,486
Total current assets		**16,833,641**	15,880,101
TOTAL ASSETS		**38,543,705**	36,396,926

	Notes	2018 AED'000	2017 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**7,862,630**	7,862,630
Statutory reserve	16	**3,931,315**	3,931,315
Hedging reserve		**70,547**	(17,024)
Fair value reserve		**34,729**	44,084
Retained earnings		**12,163,947**	11,200,549
Equity attributable to the owners of the Company		**24,063,168**	23,021,554
Non-controlling interests		**172,662**	213,611
Total equity		**24,235,830**	23,235,165
Non-current liabilities			
Non-convertible sukuk	17	**1,810,140**	–
Bank borrowings	18	**4,865,481**	2,376,275
Retentions payable		**304,702**	311,389
Lease liability		**430,703**	488,183
Provision for employees' end of service benefit	19	**145,479**	141,763
Other financial liabilities	20	**5,802**	16,263
Total non-current liabilities		**7,562,307**	3,333,873
Current liabilities			
Non-convertible sukuk	17	**21,811**	2,762,570
Bank borrowings	18	**358,512**	817,173
Retentions payable		**409,493**	310,175
Lease liability		**99,195**	70,842
Advances from customers		**362,276**	469,854
Trade and other payables	21	**5,494,281**	5,397,274
Total current liabilities		**6,745,568**	9,827,888
Total liabilities		**14,307,875**	13,161,761
TOTAL EQUITY AND LIABILITIES		**38,543,705**	36,396,926

Mohamed Al Mubarak
Chairman

Talal Al Dhiyebi
Chief Executive Officer

Greg Fewer
Chief Financial Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Income Statement
For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Revenue	22	**6,286,533**	6,180,676
Direct costs	23	**(3,654,846)**	(3,525,171)
GROSS PROFIT		**2,631,687**	2,655,505
Selling and marketing expenses	24	**(85,440)**	(74,978)
General and administrative expenses			
Staff costs	25	**(218,948)**	(227,767)
Depreciation and amortisation	6,7	**(230,142)**	(185,976)
(Provisions and impairments)/reversal, net	26	**(50,048)**	8,821
Others		**(139,235)**	(104,543)
Share of profit from associates and joint ventures, net	9	**49,863**	41,544
Gain on disposal of investment properties		**-**	3,835
Gain on disposal of joint venture		**30,319**	-
Fair value loss on investment properties, net	8	**(671,046)**	(613,107)
Finance income	27	**79,735**	124,642
Finance costs	28	**(309,749)**	(254,253)
Other income	29	**767,868**	632,212
PROFIT FOR THE YEAR		**1,854,864**	2,005,935
Attributable to:			
Owners of the Company		**1,855,808**	1,995,505
Non-controlling interests		**(944)**	10,430
		1,854,864	2,005,935
Basic and diluted earnings per share attributable to owners of the Company in AED	30	**0.236**	0.254

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	**2018 AED'000**	2017 AED'000
Profit for the year		**1,854,864**	2,005,935
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Gain on revaluation of investment in financial assets at fair value through other comprehensive income	10	**(9,355)**	5,913
Other comprehensive income to be reclassified to income statement in subsequent periods:			
Changes in fair value of cash flow hedges	20	**87,571**	2,112
Other comprehensive income		**78,216**	8,025
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,933,080**	2,013,960
Total comprehensive income attributable to:			
Owners of the Company		**1,934,024**	2,003,530
Non-controlling interests		**(944)**	10,430
		1,933,080	2,013,960

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Notes	Share capital AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2017		7,862,630	3,931,315	(19,136)	38,171	10,069,933	21,882,913	203,181	22,086,094
Profit for the year		–	–	–	–	1,995,505	1,995,505	10,430	2,005,935
Other comprehensive income		–	–	2,112	5,913	–	8,025	–	8,025
Total comprehensive income for the year		–	–	2,112	5,913	1,995,505	2,003,530	10,430	2,013,960
Dividends paid for the year 2016	31	–	–	–	–	(864,889)	(864,889)	–	(864,889)
Balance at 31 December 2017		7,862,630	3,931,315	(17,024)	44,084	11,200,549	23,021,554	213,611	23,235,165
Balance at 1 January 2018		7,862,630	3,931,315	(17,024)	44,084	11,200,549	23,021,554	213,611	23,235,165
Profit for the year		–	–	–	–	1,855,808	1,855,808	(944)	1,854,864
Other comprehensive income		–	–	87,571	(9,355)	–	78,216	–	78,216
Total comprehensive income for the year		–	–	87,571	(9,355)	1,855,808	1,934,024	(944)	1,933,080
Dividends paid for the year 2017	31	–	–	–	–	(943,516)	(943,516)	–	(943,516)
Acquisition of a non-controlling interest[(i)]		–	–	–	–	51,106	51,106	(81,106)	(30,000)
Acquisition of subsidiaries	5	–	–	–	–	–	–	41,101	41,101
Balance at 31 December 2018		**7,862,630**	**3,931,315**	**70,547**	**34,729**	**12,163,947**	**24,063,168**	**172,662**	**24,235,830**

(i) This represent acquisition of remaining 40% shares in Khidmah LLC effective 25 September 2018 resulting in the Group holding 100% shares of the company. The resulting net gain of AED 51,106 thousand is recognised in equity.

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Cash flows from operating activities			
Profit for the year		**1,854,864**	2,005,935
Adjustments for:			
Depreciation and amortisation	6 & 7	**242,807**	196,539
Finance income	27	**(79,735)**	(124,642)
Dividend income	10	**(5,415)**	(5,155)
Finance costs		**271,805**	205,778
Amortisation of prepaid finance costs		**15,715**	18,017
Fair value loss on investment properties, net	8	**671,046**	613,107
Share of profit from associates and joint ventures	9	**(49,863)**	(41,544)
Provision for onerous contracts	26	**12,126**	–
Impairments/write-offs on projects	26	**3,348**	2,064
Provisions and impairments/(reversal), net	26	**28,970**	(9,544)
Receivables write-offs		**26,958**	–
Reversal of accruals, net		**(144,751)**	(200,583)
Gain on business combination	29	**(132,791)**	–
Reversal for impairment of property, plant and equipment, net	26	**(22,507)**	(1,341)
Write-off of investment in associates and joint ventures	9	**49**	800
Loss on disposal of property, plant and equipment		**223**	14
Gain on disposal of investment properties		**–**	(3,835)
Provision for employees' end of service benefits	19	**36,687**	26,420
Operating cash flows before changes in working capital		**2,729,536**	2,682,030
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(98,008)**	61,377
Increase in development work in progress[i]		**(998,350)**	(203,157)
Increase in inventories and land held for sale[i]		**(1,760,190)**	(143,515)
Increase in retentions payable		**92,630**	58,806
(Decrease)/increase in advances from customers		**(107,578)**	45,211
Increase/(decrease) in trade and other payables		**71,247**	(617,082)
Cash (used in)/generated from operating activities		**(70,713)**	1,883,670
Employees' end of service benefits paid	19	**(36,675)**	(12,794)
Net cash (used in)/generated from operating activities[i]		**(107,388)**	1,870,876

(i) The net cash outflows for operating activities for the year ended 31 December 2018 include AED 2,050,000 thousand relating to the acquisition of land and projects under development as part of the asset acquisition from TDIC (note 5).

Consolidated Statement of Cash Flows continued
For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(94,170)**	(154,940)
Purchase of intangible assets	7	**(4,064)**	(4,976)
Additions to investment properties	8	**(732,277)**	(944,211)
Capital call contributions made for investment in financial assets at fair value through other comprehensive income	10	**(14,420)**	–
Capital repayments received investment in financial assets at fair value through other comprehensive income	10	**28,338**	12,972
Proceeds from disposal of investment properties		**-**	15,094
Finance income received		**125,541**	74,620
Dividends received	9 & 10	**34,775**	66,544
Acquisition of minority interest of subsidiary		**(30,000)**	–
Acquisition of Operating Business, net of cash acquired	5.3	**(928,337)**	–
Partial swap settlement		**58,466**	–
Movement in term deposits with original maturities above three months		**2,408,578**	(71,417)
Movement in restricted bank balances		**(60,249)**	(712,354)
Net cash from/(used in) investing activities		**792,181**	(1,718,668)
Cash flows from financing activities			
Repayment of operating lease liability	33.2	**(54,851)**	(25,468)
Bank borrowings and Sukuk raised		**8,171,250**	1,000,000
Repayment of borrowings and Sukuk		**(7,075,014)**	(627,592)
Finance costs paid		**(283,830)**	(204,631)
Dividends paid		**(945,618)**	(866,143)
Directors' remuneration paid	32	**(19,279)**	(23,000)
Net cash used in financing activities		**(207,342)**	(746,834)
Net increase/(decrease) in cash and cash equivalents		**477,451**	(594,626)
Cash and cash equivalents at the beginning of the year		**916,907**	1,511,533
Cash and cash equivalents at the end of the year	14	**1,394,358**	916,907

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

1 CORPORATE 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.

As of 31 December 2018, Mubadala Investment Company through its wholly owned subsidiaries has an indirect 37.33% shares of the Company.

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, operation of hotels, schools, marinas, golf courses, restaurants, cooling assets and beach clubs.

2 NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPREATIONS

2.1 STANDARDS ISSUED AND ADOPTED
The Group applied IFRS 9 for the first time. Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the consolidated financial statements of the Group. Other than IFRS 16 "Leases", the Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 FINANCIAL INSTRUMENTS
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively. The impact of adoption of IFRS 9 on the financial statements of the Group has been explained in note 3.23 below.

IFRIC INTERPRETATION 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATIONS
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 40 TRANSFERS OF INVESTMENT PROPERTY
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any material impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has no share-based payment transactions and hence these amendments do not have any impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 4 APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

2 NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPREATIONS continued

2.1 STANDARDS ISSUED AND ADOPTED continued

AMENDMENTS TO 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

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – DELETION OF SHORT-TERM EXEMPTIONS FOR FIRST-TIME ADOPTERS

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
Standards, interpretation and amendments	
• IFRS 17, Insurance Contracts: IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005	1 January 2021
• Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	–
• Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to IAS 28: Long term investment in associates and joint ventures	1 January 2019
Annual Improvements 2015-2017 Cycle	
• IFRS 3 Business Combinations – Previously held interests in a joint operation	1 January 2019
• IFRS 11 Joint Arrangements – Previously held interests in a joint operation	1 January 2019
• IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
• IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019

The Group had elected to early adopt IFRS 16 with effect from 1 January 2016. Management anticipates that the adoption of the standards, interpretations and amendments 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) as issued by the International Accounting Standards Board (IASB) and also comply with the applicable requirements of the laws in the UAE.

3.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, derivative financial instruments and investments in financial assets at fair value through other comprehensive income that have been measured at fair value. 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 and all values are rounded to the nearest thousand except when otherwise indicated.

3.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group 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 in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in income statement. Any investment retained is recognised at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 BASIS OF CONSOLIDATION continued

Details of the Company subsidiaries as at 31 December 2018 are given below:

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
Aldar 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 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
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
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)	65.2%	UAE	Engineering and general construction works
Aldar Investment Properties LLC	100%	UAE	Investment, management and associated services for real estate assets and the operation of hotels
Aldar Investment Holding Restricted Limited	100%	UAE	Special purpose vehicle, proprietary asset management company
Khidmah – Sole Proprietorship LLC (formerly Khidmah LLC)	100%	UAE	Management and leasing of real estate
TDIC Food & Beverage – Sole Proprietorship LLC	100%	UAE	Restaurant management
TDIC Education – Sole Proprietorship LLC	100%	UAE	Educational activities
Saadiyat Cooling LLC	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC	100%	UAE	Cooling station operations

3.4 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 type of 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate and joint venture are accounted for using the equity method. 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.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss and non-controlling interests in the subsidiaries of the associate or 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.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

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.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

3.7 REVENUE RECOGNITION

The Group had elected to early adopt IFRS 15 "Revenue from Contracts with Customers", 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.7 REVENUE RECOGNITION continued

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.

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.

REVENUE FROM COOLING ASSETS

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

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

The Group had elected to early adopt IFRS 16 "Leases" with effect from 1 January 2016.

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 its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.8 LEASES continued

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. For assets that meet the definition of property, plant and equipment, right of use asset is carried at cost net of depreciation and impairment and is amortised over the term of the lease.

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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.11 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Freehold land is not depreciated.

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

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.

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

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 acquisition of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted in accordance with the Group's policies.

3.13 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, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.13 INVESTMENT PROPERTIES continued

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Upon completion of construction or development, a property is transferred from properties under development to completed properties. Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

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

COMPUTER SOFTWARE

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

CUSTOMER CONTRACTS

Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of district cooling services which were acquired during the year (note 5). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is in the range of 22 to 29 years.

3.18 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

3.19 CASH AND SHORT-TERM DEPOSITS

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

3.20 PROVISIONS

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

ONEROUS CONTRACTS

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

3.21 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 Group policy and 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.22 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 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.

3.23 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS

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

A financial asset is measured at amortised cost, if both the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

On adoption of IFRS 9, the Group reclassified financial assets previously reported as available-for-sale financial assets amounting to AED 119,39 as investment in financial assets at fair value through other comprehensive income in accordance with the requirements of IFRS 9.

FINANCIAL LIABILITIES

All financial liabilities are classified and subsequently measured at amortised cost, except for:
- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate

At initial recognition, the Group may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

LOANS AND BORROWINGS

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

EMBEDDED DERIVATIVES

Where a hybrid contract contains a host that is a financial asset under the scope of IFRS 9, the policy in relation to classification and measurement, including impairment relating to the financial assets applies to the entire hybrid contract.

Where a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, the embedded derivative is separated from the host and accounted for as a derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Where a contract contains one or more embedded derivatives and the host is not a financial asset within the scope of IFRS 9, the Group may designate the entire hybrid contract as at fair value through profit or loss unless:

- the embedded derivatives do not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivatives is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

Where it is required by this Standard to separate an embedded derivative from its host, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at fair value through profit or loss.

RECLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Where the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

INITIAL MEASUREMENT

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.23 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT continued

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- trade receivables;
- lease receivables;
- contract assets; and
- loan commitments and financial guarantee contracts.

The Group has adopted the simplified approach for measuring the impairment on trade receivables, lease receivables and contract assets. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

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

In line with IFRS 9 transition provisions, the Group has elected to record any adjustment to its retained earnings as at 1 January 2018 to reflect the application of the requirements in relation to impairment and measurement at the date of adoption without restating comparative information. The adoption of IFTRS 9 did not have any impact on the opening retained earnings of the Group.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:
- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

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

The management reviewed and assessed the Group's existing financial assets for impairment, as at 1 January 2018, using reasonable and supportable information that is available, in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets. Based on this assessment, the management believes that there is no material impact on the carrying values of the financial assets as at 1 January 2018.

DERECOGNITION

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.23 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT continued

OFFSETTING OF FINANCIAL INSTRUMENTS

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

3.24 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

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

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

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

FAIR VALUE HEDGES

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

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

CASH FLOW HEDGES

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 JUDGEMENTS

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

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 judgements. Judgement 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 judgement consistently in accordance with the definitions of investment property, property, plant and equipment and property held for sale. In making its judgement, 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.

JUDGEMENTS 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 judgement 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

4.1 JUDGEMENTS continued

TRANSFER OF CONTROL IN CONTRACTS WITH CUSTOMERS

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

IDENTIFYING WHETHER AN ACQUISITION IS A BUSINESS OR AN ASSET

For acquisitions made by the Group, the Group needs to make significant judgement to assess whether the assets acquired and liabilities assumed constitutes a business and whether it has acquired control of one or more businesses. Where such an acquisition does not constitute a business, the acquisition is accounted for as an asset acquisition. In making this assessment, the Group applies the definition of business under IFRS 3 which requires that the Group determines whether it has acquired integrated processes which when applied to inputs, have the ability to produce outputs.

4.2 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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.

IMPAIRMENT OF FINANCIAL ASSETS

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

The Group measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which the entity is exposed to credit risk.

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 key assumptions used are as follows:

	Range %
Targeted internal rate of return	9 – 16
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 the 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 INVESTMENTS

Valuation of unquoted 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 9) and it's receivables from associates and joint ventures (note 11.5) in excess of amount already provided.

5 BUSINESS COMBINATION

During the year ended 31 December 2018, the Company signed a framework agreement (the "Agreement") with Tourism Development Investment Company PJSC ("TDIC") to acquire a portfolio of real estate assets, including limited liability companies, operating businesses and other assets for a total consideration AED 3,625,000 thousand as given below.

	AED '000
Operating Businesses (notes 5.2 and 5.3) and other assets	**1,575,000**
Projects under development and lands	**2,050,000**
	3,625,000

The acquisition comprised of assets and businesses across hospitality, retail, residential, district cooling and education sectors. The aforementioned acquisition is a part of the Group's strategic plan to profitably deploy capital to expand its portfolio. Based on the Agreement, the effective date of acquisition of assets and control over the Operating Businesses acquired has been determined as 1 May 2018.

5.1 OPERATING BUSINESSES

Under the Agreement, the Operating Businesses acquired, included the acquisition of certain legal entities (listed in 5.1.1 below) and other businesses (listed in 5.1.2 below) acquired from TDIC. The Operating Businesses meet the definition of "Business" under IFRS 3.

5.1.1 LEGAL ENTITIES ACQUIRED

Name	Ownership interest	Country of incorporation/ operation	Principal activity
TDIC Food & Beverage – Sole Proprietorship LLC	100%	UAE	Restaurant management
TDIC Education – Sole Proprietorship LLC	100%	UAE	Educational activities
Saadiyat District Cooling LLC	100%	UAE	Cooling station operations
Saadiyat Cooling LLC	85%	UAE	Cooling station operations

5.1.2 OTHER BUSINESSES ACQUIRED

Name	Principal activity
Saadiyat Beach Club	Beach club
Eastern Mangroves Hotel & Spa	Hotel and hospitality services
The Westin Abu Dhabi Golf Resort & Spa	Hotel and hospitality services
Abu Dhabi Golf Club	Golf club
Saadiyat Beach Golf Club	Golf club
Eastern Mangroves Retail and Marina	Retail units and marina
Marsa Al Bateen Retail and Marina	Retail units and marina

For the above Operating Businesses, control has been transferred to the Group under the Agreement from the effective date. The country of operation of all the other businesses is UAE.

The Operating Businesses acquired represent business combinations under IFRS 3 "Business Combinations" and have been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed forming part of business combination, has been recognised at its respective fair values, as of 1 May 2018. The remaining assets were accounted for and classified as additions of assets by their nature.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets at fair value.

5.2 ASSETS ACQUIRED AND THE LIABILITIES ASSUMED OF THE OPERATING BUSINESSES

Acquisition date fair values of the identifiable assets acquired and liabilities assumed of the operating Businesses, as well as the fair value of the non-controlling interest in one of the acquired entities, Saadiyat Cooling LLC were determined as follows:

	Notes	Fair values recognised AED '000
Assets		
Property, plant and equipment	6	**810,145**
Intangible assets[iv]	7	**179,809**
Investment properties	8	**166,053**
Inventories		**6,220**
Trade and other receivables		**103,190**
Cash and bank balances		**136,663**
Total assets		**1,402,080**
Liabilities		
Advances from customers		**8,110**
Trade and other payables		**167,562**
Total liabilities		**175,672**
Total identifiable net assets at fair value		**1,226,408**
Non-controlling interest measured at fair value[i]		**(41,101)**
Group's share of net assets acquired		**1,185,307**
Less: Purchase consideration		**(1,070,376)**
Bargain purchase gain, net of goodwill		**114,931**
Goodwill[ii]	7	**(17,860)**
Gain on business combination[iii]	29	**132,791**
		114,931

(i) This represent non-controlling interest in Saadiyat Cooling LLC which is measured at 15% of net assets at fair value.
(ii) Goodwill of AED 17,860 thousand arising from the acquisition comprises largely of the sales growth, new customers and expected synergies. Goodwill is allocated to asset management segment only.
(iii) The gain on business combination is included in other income and arises from the difference between the fair value of the net assets acquired of the Operating Businesses forming part of business combination and consideration paid.
(iv) The fair value of the acquired identifiable intangible assets of AED 179,809 thousand recognised as part of business combination, represents long term non-cancellable contracts with customers for the supply of district cooling services that are valued based on the present value of expected future cash flows that will be generated over its remaining useful life.

As of 1 May 2018, the fair value of the trade receivables acquired amounts to AED 73,411 thousand. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

5 BUSINESS COMBINATION continued

5.3 ANALYSIS OF CASHFLOW ON ACQUISITION FOR THE OPERATING BUSINESS

	AED '000
Cash paid for the acquisition	**(1,065,000)**
Net cash acquired on business combination	**136,663**
Acquisition of Operating Business – net of cash acquired (included in cash flows from investing activities)	**(928,337)**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(4,406)**
Net cash outflow on acquisition	**(932,743)**

The fair value of the contingent consideration of AED 40,898 thousand was estimated by applying an income approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 "Fair Value Measurement" refers to as level 3 inputs. Key assumptions include a discount rate of 9.7% and probable revenue of AED 60,990 thousand. As of 31 December 2018, neither the amount recognised for the contingent consideration arrangement, nor the range of outcomes, or the assumptions used to develop the estimates, had changed.

Acquisition related costs amounted to AED 4,406 thousand in relation to acquisition of Operating Businesses were expensed during the period and are included in general and administrative expenses.

From the date of acquisition, the Operating Businesses, forming part of business combination, contributed revenue of AED 269,096 thousand and net loss of AED 2,887 thousand towards the operations of the Group. If the acquisition had taken place at the beginning of the year, revenue would have been AED 415,386 thousand and net profit would have been AED 19,728 thousand. These numbers represent the amounts before intra group and consolidation adjustments.

The net assets recognised in the 30 June 2018 and 30 September 2018 interim condensed consolidated financial statements were based on a provisional assessment of their fair values. In December 2018, the assessment was finalised and there were no material differences between the provisional and final fair values to be adjusted and disclosed in these consolidated financial statements.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Plant and machinery AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
Cost:										
1 January 2017	6,144,722	1,654,047	682,444	–	76,944	129,486	5,982	16,273	31,868	8,741,766
Additions	82,189	–	18,709	–	9,906	9,667	354	–	34,115	154,940
Transfers	–	–	–	–	–	69	–	(69)	–	–
Transfers from development work in progress (note 12)	–	–	–	–	–	–	–	–	8,150	8,150
Transfers to investment properties (note 8)	–	–	–	–	–	–	–	–	(26,849)	(26,849)
Disposals	–	–	(2,190)	–	–	–	(643)	–	–	(2,833)
31 December 2017	6,226,911	1,654,047	698,963	–	86,850	139,222	5,693	16,204	47,284	8,875,174
1 January 2018	6,226,911	1,654,047	698,963	–	86,850	139,222	5,693	16,204	47,284	8,875,174
Additions	3,059	–	31,477	14,243	7,773	14,572	840	146	22,060	94,170
Acquisition of subsidiaries (note 5)	447,220	–	2,054	293,259	7,365	373	–	53,654	6,220	810,145
Transfers from development work in progress (note 12)	–	–	2,148	–	–	–	–	–	1,070	3,218
Transfers to investment properties (note 8)	–	–	–	–	–	–	–	–	(25,700)	(25,700)
Disposals	(5,206)	–	(10,585)	–	(287)	(924)	(126)	–	–	(17,128)
31 December 2018	**6,671,984**	**1,654,047**	**724,057**	**307,502**	**101,701**	**153,243**	**6,407**	**70,004**	**50,934**	**9,739,879**
Accumulated depreciation and impairment:										
1 January 2017	3,368,782	1,653,137	555,470	–	63,160	97,615	5,338	12,191	–	5,755,693
Charge for the year	127,603	853	38,407	–	12,535	11,004	786	1,512	–	192,700
Transfers	–	–	–	–	–	69	–	(69)	–	–
Impairment/(reversal) (note 26)	32,716	(34,057)	–	–	–	–	–	–	–	(1,341)
Disposals	–	–	(2,190)	–	–	–	(629)	–	–	(2,819)
31 December 2017	3,529,101	1,619,933	591,687	–	75,695	108,688	5,495	13,634	–	5,944,233
1 January 2018	3,529,101	1,619,933	591,687	–	75,695	108,688	5,495	13,634	–	5,944,233
Charge for the year	150,398	45	40,173	12,677	11,318	11,393	148	7,935	–	234,087
Impairment/(reversal) (note 26)	(29,416)	6,909	–	–	–	–	–	–	–	(22,507)
Disposals	(5,206)	–	(10,362)	–	(287)	(924)	(126)	–	–	(16,905)
31 December 2018	**3,644,877**	**1,626,887**	**621,498**	**12,677**	**86,726**	**119,157**	**5,517**	**21,569**	**–**	**6,138,908**
Carrying amount:										
31 December 2018	**3,027,107**	**27,160**	**102,559**	**294,825**	**14,975**	**34,086**	**890**	**48,435**	**50,934**	**3,600,971**
31 December 2017	2,697,810	34,114	107,276	–	11,155	30,534	198	2,570	47,284	2,930,941

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

6 PROPERTY, PLANT AND EQUIPMENT continued

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

	2018 AED'000	2017 AED'000
Direct cost	**12,665**	10,563
General and administrative expenses	**221,422**	182,137
	234,087	192,700

During the year, the Group carried out a review of recoverable value of its property, plant and equipment. The review led to a net reversal of impairment of AED 22,507 thousand (2017: AED 1,341 thousand) (note 26), which has been recorded in the consolidated income statement. The recoverable value of relevant assets has been determined by reference to the discounted cash flow method using a yield of 7.0% to 9.0% (2017: 7.5% to 9.0%) and a discount rate of 10.25% to 15.0% (2017: 10.25% to 13.0%).

The Group conducted a sensitivity analysis for all its hotel properties classified under property, plant and equipment. The sensitivity has been conducted on the Revenue Per Available Room (RevPAR), and discount rate and exit yield. Based on this sensitivity analysis:

- a decrease in the Discount Rate & Exit Yield by 50bps would result in AED 167,820 thousand or 7.3% increase in the recoverable value, whilst an increase in the Discount Rate & Exit Yield by 50bps would result in AED 147,640 thousand or 6.4% decrease in the recoverable value.
- an increase in the RevPAR by 10% would result in AED 277,980 thousand or 12.0% increase in the recoverable value, whilst a decrease in the RevPAR by 10% would result in AED 266,370 thousand or 11.5% decrease in the recoverable value.

7 INTANGIBLE ASSETS AND GOODWILL

	Goodwill AED'000	Customer contracts AED'000	Computer software AED'000	Total AED'000
2018				
Cost:				
1 January 2018	–	–	82,949	82,949
Additions	–	–	4,064	4,064
Acquisition of subsidiaries (note 5)	17,860	179,809	–	197,669
Disposals	–	–	(1,101)	(1,101)
31 December 2018	**17,860**	**179,809**	**85,912**	**283,581**
Accumulated amortisation:				
1 January 2018	–	–	77,845	77,845
Charge for the year	–	5,648	3,072	8,720
Disposal	–	–	(1,101)	(1,101)
31 December 2018	**–**	**5,648**	**79,816**	**85,464**
Carrying amount:				
31 December 2018	**17,860**	**174,161**	**6,096**	**198,117**
2017				
Cost:				
1 January 2017	–	–	77,973	77,973
Additions	–	–	4,976	4,976
31 December 2017	–	–	82,949	82,949
Accumulated amortisation:				
1 January 2017	–	–	74,006	74,006
Charge for the year	–	–	3,839	3,839
31 December 2017	–	–	77,845	77,845
Carrying amount:				
31 December 2017	–	–	5,104	5,104

GOODWILL

Goodwill primarily comprises sales growth, new customers and expected synergies arising from the acquisition. Goodwill is allocated to asset management segment only. The calculation of value in use was sensitive to the following assumptions:

Gross margins – Gross margins were based on the expectations of management based on past experience, new initiatives and expectation of future market conditions.

Discount rates – Discount rates reflected management's estimate of the specific risks. The discount was based on the risk free rate of the investment's country, market risk premium related to the industry and individual investment related risk premium/discount. Management estimated that such discount rate to be used for the evaluation of the investment should be between 12 to 13%.

Growth rates – Management prepared five year budget based on their expectations of future results, thereafter a growth rate of 3% was assumed.

7 INTANGIBLE ASSETS AND GOODWILL continued

CUSTOMER CONTRACTS

These mainly represent long term non-cancellable contracts with customers for the supply of district cooling services which were acquired during the year as part of the acquisition.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

With regard to the assessment of value in use of the Goodwill, management believes that no reasonably possible change in key assumption would cause the carrying values to materially exceed its recoverable amount.

8 INVESTMENT PROPERTIES

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

	2018			2017		
	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	**15,126,457**	**950,092**	**16,076,549**	14,929,374	843,908	15,773,282
Addition during the year, net	**549,425**	**182,852**	**732,277**	623,006	271,205	894,211
Acquisition of subsidiaries (note 5)	**166,053**	**-**	**166,053**	–	–	–
Finance cost capitalised (note 28)	**-**	**-**	**-**	–	213	213
Fair value loss, net	**(671,046)**	**-**	**(671,046)**	(613,107)	–	(613,107)
Disposals	**(102)**	**-**	**(102)**	(11,259)	–	(11,259)
Transfers from/(to):						
Completed properties/IPUD	**-**	**-**	**-**	165,234	(165,234)	–
Inventories	**83,544**	**-**	**83,544**	–	–	–
Property, plant and equipment (note 6)	**25,700**	**-**	**25,700**	26,849	–	26,849
Development work in progress (note 12)	**-**	**(4,672)**	**(4,672)**	6,360	–	6,360
Balance at the end of the year	**15,280,031**	**1,128,272**	**16,408,303**	15,126,457	950,092	16,076,549

All investment properties are located in the United Arab Emirates.

The fair values of the 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 professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. The valuations were mainly determined by using the Income Capitalisation Method. The valuation has been conducted as at 31 October 2018; management believes that there have been no significant changes to the fair values of investment properties' fair values from 31 October 2018 to 31 December 2018. Refer to note 4.2 for the key assumptions used.

The Group conducted a sensitivity analysis for eleven largest assets in its investment property portfolio with an aggregate value of AED 12,352,336 thousand. The sensitivity has been conducted on the Capitalisation Rates and Rental Values. Based on this sensitivity analysis:

- a decrease in the capitalisation/discount Rate by 50bps would result in a AED 1,402,782 thousand or 11.4% increase in the valuation, whilst an increase in the capitalisation/discount Rate by 50bps would result in AED 1,109,153 thousand 9.0% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 1,335,042 thousand or 10.8% increase in the valuation, whilst a decrease in the rental rates by 10.8% would result in AED 1,334,044 thousand or 10.8% decrease in the valuation.

It should be noted that discount rates and capitalization rates are different than interest rates as commonly applied to borrowing rates or cost of short term and long-term debt. Discount rates and capitalization rates are carefully derived by professional values in determining the fair market value of properties by using multiple valuation factors. There are interrelationships between the unobservable inputs which are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalisation rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalisation rate would amplify an increase in the value. The investment properties are categorised under Level 3 in the fair value hierarchy.

9 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2018 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 associate/ ventures AED'000	Disposals AED'000	**Share in underlying net assets at 31 December 2018 AED'000**
INVESTEE										
Associates										
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	146,934	4,258	–	(3,360)	–	–	**147,832**
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	54,731	2,921	–	(21,000)	–	–	**36,652**
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	–	–	–	–	–	–	**–**
Bunya LLC	33%	33%	Abu Dhabi	–	–	–	–	–	–	**–**
Iskandar Holdings Limited	19%	19%	Cayman Islands	6,086	–	–	–	–	–	**6,086**
				207,751	7,179	–	(24,360)	–	–	**190,570**
Joint ventures										
Aldar Besix LLC	51%	50%	Abu Dhabi	16,238	75	–	–	–	–	**16,313**
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	21,067	5,430	–	(5,000)	–	–	**21,497**
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	531,304	43,600	4,620	–	–	–	**579,524**
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	80,979	4,836	–	–	–	–	**85,815**
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	100,243	(431)	–	–	–	–	**99,812**
Royal House LLC	50%	50%	Abu Dhabi	–	(10,826)	–	–	10,826	–	**–**
S&T District Cooling Co. LLC*	50%	50%	Abu Dhabi	49	–	–	–	–	(49)	**–**
Galaxy Building Materials LLC (under liquidation)	45%	50%	Abu Dhabi	–	–	–	–	–	–	**–**
				749,880	42,684	4,620	(5,000)	10,826	(49)	**802,961**
				957,631	49,863	4,620	(29,360)	10,826	(49)	**993,531**

* During the year, the Group sold its investment and recognised a gain on sale of AED 30,319 thousand. As per the agreement, the Group is entitled to further compensation contingent upon performance of the Group, however as of 31 December 2018 the inflow of economic benefits is not certain.

9 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

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

	2018 AED'000	2017 AED'000
Total assets	**2,050,296**	2,138,509
Total liabilities	**(1,456,112)**	(1,486,867)
Net assets	**594,184**	651,642
Group's share of net assets of associates	**190,570**	207,751
Total revenue	**104,731**	104,821
Total profit for the year	**23,041**	11,400

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

	2018 AED'000	2017 AED'000
Total assets	**2,453,647**	2,511,631
Total liabilities	**(1,471,641)**	(1,567,800)
Net assets	**982,006**	943,831
Group's share of net assets of joint ventures	**802,961**	749,880
Total revenue	**307,560**	362,095
Total profit for the year	**84,785**	91,838

10 INVESTMENT IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2018, the below investments were classified as investment in financial assets at fair value through other comprehensive income in accordance with IFRS 9. As at 31 December 2017, these investments were classified as available-for-sale financial assets in accordance with IAS 39.

	2018 AED'000	2017 AED'000
Investment in UAE quoted securities	**38,950**	28,000
Investment in UAE unquoted securities	**15,202**	35,201
Investment in international unquoted securities	**41,964**	56,188
	96,116	119,389

Movement during the year is as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**119,389**	126,448
Additions	**14,420**	–
(Loss)/gain on revaluation during the year	**(9,355)**	5,913
Repayment of capital	**(28,338)**	(12,972)
Balance at the end of the year	**96,116**	119,389

During the year, dividend income received from these investments amounted to AED 5,415 thousand (31 December 2017: AED 5,155 thousand).

11 TRADE AND OTHER RECEIVABLES

	2018 AED'000	2017 AED'000
Non-current portion		
Receivables relating to project finance (note 11.3)	**136,016**	143,946
Receivables from the Government of Abu Dhabi (note 11.4)	**95,000**	190,000
Due from associates and joint ventures (note 11.5)	**176,776**	172,722
Others	**88,914**	10,694
	496,706	517,362
Less: allowance for expected credit loss (note 11.8)	**(97,704)**	(90,151)
	399,002	427,211
Current portion		
Trade receivables (note 11.1)	**1,827,753**	1,723,551
Refundable costs (note 11.2)	**478,923**	505,402
Receivables relating to project finance (note 11.3)	**14,941**	19,932
Receivables from the Government of Abu Dhabi (note 11.4)	**279,258**	439,995
Due from associates and joint ventures (note 11.5)	**25,707**	290,536
Gross amounts due from customers on contracts for sale of properties (note 11.6)	**1,096,306**	748,197
Gross amounts due from customers on contracts to construct an asset (note 11.7)	**49,397**	112,459
Advances and prepayments	**1,109,827**	979,776
Accrued interest	**42,572**	66,355
Others	**475,259**	357,843
	5,399,943	5,244,046
Less: allowance for expected credit loss (note 11.8)	**(329,498)**	(318,597)
	5,070,445	4,925,449

11.1 TRADE RECEIVABLES

Trade receivables mainly represent the amounts due in respect of sales of plots of land, properties and revenue from construction contracts. As at 31 December 2018, 25% of the trade receivables (2017: 18% of the trade receivables) are due from its top five customers. Concentration of credit risk is mitigated by 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.

	2018 AED'000	2017 AED'000
Trade receivables	**1,827,753**	1,723,551
Less: provision for impairment (note 11.8)	**(313,367)**	(302,466)
	1,514,386	1,421,085

11 TRADE AND OTHER RECEIVABLES continued
11.1 TRADE RECEIVABLES continued

Interest is charged at 12% per annum on the past due amounts in respect of sales of plots and properties. The ageing of unimpaired receivables is as follows:

	2018 AED'000	2017 AED'000
Ageing of trade receivables		
Not past due	**1,009,102**	853,974
Past due (more than 180 days)	**505,284**	567,111
	1,514,386	1,421,085

11.2 REFUNDABLE COSTS
Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation to development of infrastructure of various projects and real estate developments.

11.3 RECEIVABLES RELATING TO PROJECT FINANCE

	Minimum payments		**Present value of minimum payments**	
	2018 AED'000	2017 AED'000	**2018 AED'000**	2017 AED'000
Current receivables				
Within one year	**24,535**	28,915	**14,941**	19,932
Non-current receivables				
In the second to fifth year	**58,657**	71,490	**26,308**	40,305
After five years	**254,401**	243,854	**109,708**	103,641
	313,058	315,344	**136,016**	143,946
Amounts receivable from project finance	**337,593**	344,259	**150,957**	163,878
Less: unearned finance income	**(186,636)**	(180,381)	**–**	–
Present value of minimum payments receivable	**150,957**	163,878	**150,957**	163,878

11.4 RECEIVABLE FROM THE GOVERNMENT OF ABU DHABI
Receivables from the Government of Abu Dhabi represent the amounts receivable against assets sold and land plots handed over.

11.5 DUE FROM ASSOCIATES AND JOINT VENTURES

	Non-current		**Current**	
	2018 AED'000	2017 AED'000	**2018 AED'000**	2017 AED'000
Gross receivables	**176,776**	172,722	**25,707**	290,536
Less: allowance for expected credit losses (note 11.8)	**(97,704)**	(90,151)	**(16,131)**	(16,131)
	79,072	82,571	**9,576**	274,405

11.6 GROSS AMOUNTS DUE FROM/(DUE TO) CUSTOMERS ON CONTRACTS FOR SALE OF PROPERTIES

	2018 AED'000	2017 AED'000
Amount due from customers included in trade and other receivables (note 11)	**1,096,306**	748,197
Amount due to customers included in trade and other payables (note 21)	**–**	(221,497)
	1,096,306	526,700
Total contracts cost incurred plus recognised profits less recognised losses to date	**2,858,209**	3,335,293
Less: total progress billings to date	**(1,761,903)**	(2,808,593)
	1,096,306	526,700

With respect to the above contracts, revenue aggregating to AED 3,270,193 thousand is expected to be recognised over the term of these contracts.

11.7 GROSS AMOUNTS DUE FROM/(DUE TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	2018 AED'000	2017 AED'000
Amount due from customers included in trade and other receivables (note 11)	**49,397**	112,459
Amount due to customers included in trade and other payables (note 21)	**(41,478)**	(92,611)
	7,919	19,848
Total contracts cost incurred plus recognised profits less recognised losses to date	**3,859,198**	5,989,379
Less: total progress billings to date	**(3,851,279)**	(5,969,531)
	7,919	19,848

The above amount represents unbilled revenue arising from construction contracts. With respect to the above contracts, revenue aggregating to AED 658,828 thousand is expected to be recognised over the period of these contracts.

11.8 ALLOWANCE FOR EXPECTED CREDIT LOSS

Movement during the year in allowance of expected credit loss:

TRADE RECEIVABLES

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**302,466**	327,556
Charge/(reversal) for the year, net (note 26)	**28,970**	(9,544)
Release of provision, net	**(18,069)**	(15,546)
Balance at the end of the year	**313,367**	302,466

11 TRADE AND OTHER RECEIVABLES continued

11.8 ALLOWANCE FOR EXPECTED CREDIT LOSS continued

DUE FROM ASSOCIATES AND JOINT VENTURES

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**106,282**	133,729
Charge for the year	**7,553**	7,553
Reversal of provision	**-**	(35,000)
Balance at the end of the year	**113,835**	106,282

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

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

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

12 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:

	2018 AED'000	2017 AED'000
Balance at beginning of the year	**1,476,818**	1,298,384
Development costs incurred during the year	**2,520,606**	1,345,537
Recognised in costs of properties sold	**(1,307,628)**	(1,144,971)
Transfers from land held for sale	**144,505**	107,042
Transfers from/(to) inventories (note 13)	**(359,033)**	(112,600)
Transfers from/(to) investment properties (note 8)	**4,672**	(6,360)
Transfer to property, plant and equipment (note 6)	**(3,218)**	(8,150)
Write-off of project costs (note 26)	**(3,348)**	(2,064)
Balance at the end of the year	**2,473,374**	1,476,818

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

13 INVENTORIES

	2018 AED'000	2017 AED'000
Completed properties	**402,190**	228,681
Other operating inventories	**66,954**	57,920
	469,144	286,601

During the year, properties with an aggregate value of AED 359,033 thousand were transferred to inventories upon completion (note 12).

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

14 CASH AND CASH EQUIVALENTS

	2018 AED'000	2017 AED'000
Cash and bank balances	**3,313,498**	2,452,164
Short term deposits held with banks	**1,701,109**	4,433,322
Cash and bank balances	**5,014,607**	6,885,486
Short term deposits with original maturities greater than three months	**(878,000)**	(3,286,578)
Restricted bank balances	**(2,742,249)**	(2,682,001)
Cash and cash equivalents	**1,394,358**	916,907

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. As at 31 December 2018, cash at banks amounting to AED 624,421 thousand (2017: AED 589,214 thousand) are not included in the Group's bank balances as it is held by the Group on behalf of third parties. Restricted cash and bank include balances amounting to AED 1,159,502 thousand (2017: AED 1,167,727 thousand) which are deposited into escrow accounts representing cash received from customers against sale of development properties. The remaining balance of restricted cash balances mainly represents cash balances held against government projects and dividend payables for which separate bank accounts are maintained.

The interest rate on term deposits ranges between 0.4% and 3.5% (2017: 0.4% and 2.70%) per annum. All fixed deposits are placed with local banks in the United Arab Emirates.

15 SHARE CAPITAL

Share capital comprises 7,862,629,603 (2017: 7,862,629,603) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

16 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. As the reserves reaches 50% of the paid-up capital, the Company has suspended further transfer.

17 NON-CONVERTIBLE SUKUK

	2018 AED'000	2017 AED'000
Proceeds from issue	**1,836,750**	2,755,125
Gross issue costs	**(27,062)**	(18,580)
Less: amortisation of issue costs	**452**	16,042
Unamortised issue costs	**(26,610)**	(2,538)
Add: Accrued profit	**21,811**	9,983
Carrying amount	**1,831,951**	2,762,570
Less: current portion	**(21,811)**	(2,762,570)
Non-current portion	**1,810,140**	–
Total finance cost capitalised during the year	**-**	110

In December 2013, the Group issued non-convertible Sukuk (Ijarah) notes for a total value of AED 2,755,125 thousand (USD 750,000 thousand). The Sukuk had a profit rate of 4.348% per annum payable semi-annually and was due for settlement in December 2018, out of which USD 295,465 thousand was settled on 1 October 2018 and the balance of Sukuk was settled on 3 December 2018.

On 1 October 2018, the Group issued non-convertible Sukuk (Al Wakala) notes for a total value of AED 1,836,750 thousand (USD 500,000 thousand). The Sukuk has a profit rate of 4.750% per annum payable semi-annually and is due for settlement in September 2025.

18 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 2018								
Ijarah facility	**280,000**	**–**	**280,000**	**Secured**	**relevant EIBOR + 1.40%**	**July 2019**	**General corporate purpose**	**–**
Term loan	**–**	**500,000**	**500,000**	**Secured**	**LIBOR + 1.25%**	**August 2021**	**General corporate purpose**	**–**
Revolving Credit Facility	**62,500**	**2,084,500**	**2,147,000**	**Unsecured**	**relevant EIBOR + 1.00%**	**December 2022**	**General corporate purpose**	**–**
Term loan	**–**	**400,000**	**400,000**	**Secured**	**relevant EIBOR + 1.80%**	**August 2023**	**General corporate purpose**	**–**
Term loan	**–**	**500,000**	**500,000**	**Secured**	**LIBOR + 1.30%**	**August 2023**	**General corporate purpose**	**–**
Term loan	**–**	**500,000**	**500,000**	**Secured**	**relevant EIBOR + 1.00%**	**September 2023**	**General corporate purpose**	**–**
Term loan	**–**	**500,000**	**500,000**	**Secured**	**relevant EIBOR + 1.00%**	**September 2023**	**General corporate purpose**	**–**
Term loan	**–**	**400,000**	**400,000**	**Secured**	**relevant EIBOR + 2.12%**	**August 2026**	**General corporate purpose**	**–**
Unamortised borrowing cost	**–**	**(19,019)**	**(19,019)**					**–**
Accrual for interests and profits	**16,012**	**–**	**16,012**					**–**
	358,512	**4,865,481**	**5,223,993**					**–**
31 December 2017								
Term loan	–	600,000	600,000	Secured	relevant EIBOR + 1.30%	July 2019	Refinancing of debt	25
Term loan	–	280,000	280,000	Secured	relevant EIBOR + 1.30%	July 2019	Refinancing of debt	11
Term loan	–	160,000	160,000	Secured	relevant EIBOR + 1.40%	June 2019	Refinancing of debt	6
Term loan	807,389	–	807,389	Secured	3 months LIBOR + 1.40%	November 2018	General corporate purpose	35
Ijarah facility	–	280,000	280,000	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose	11
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	3
Term loan	–	–	–	Secured	3 months EIBOR + 1%	December 2017	General corporate purpose	12
Term loan	–	500,000	500,000	Secured	relevant EIBOR + 1.25%	August 2021	General corporate purpose	–
Term loan	–	500,000	500,000	Secured	relevant EIBOR + 1.30%	August 2023	General corporate purpose	–
Unamortised borrowing cost	–	(28,725)	(28,725)					–
Accrual for interests and profits	9,784	–	9,784					–
	817,173	2,376,275	3,193,448					103

18 BANK BORROWINGS continued

The borrowings are repayable as follows:

	2018 AED'000	2017 AED'000
Current	**358,512**	817,173
Non-current	**4,865,481**	2,376,275
	5,223,993	3,193,448

As at 31 December 2017 the Group had AED 1.98 billion in committed revolving credit facilities in the form of bilateral agreements with five financial institutions all having a maturity of 31 March 2022. In February 2018, the Group exercised the final option to extend the maturity date of each of these facilities by an additional one year. Banks representing facilities totalling AED 1.76 billion agreed to extend their facilities to March 2023. As at 31 December 2018, all these facilities remained committed and undrawn.

In May 2018, the Group entered into a transaction with a financial institution ("Revolving Credit Facility") that meets the offsetting criteria under IAS 32. The Revolving Credit Facility involves a Borrowing that is immediately offset with a Deposit resulting in the presentation of a Net Borrowing in the financial position. As of period end, the Net Borrowing was AED 2,147,000 thousand (Borrowing of AED 4,912,500 thousand less Deposit of AED 2,765,500 thousand). The Borrowing is un-secured and available for general corporate purposes and carries an interest rate of the relevant EIBOR +1%. The Borrowing includes partial principle repayments in semi-annual instalments of AED 31,250 thousand each and a final maturity date of 8 December 2022. The Deposit earns interest at 0.75% plus relevant EIBOR.

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 4,319,889 thousand (2017: AED 627,592 thousand).

19 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

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

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	**141,763**	128,137
Acquired through business combination	**3,704**	–
Charge for the year (note 25)	**36,687**	26,420
Paid during the year	**(36,675)**	(12,794)
Balance at the end of the year	**145,479**	141,763

20 OTHER FINANCIAL LIABILITIES/OTHER FINANCIAL ASSET

The Group has entered into interest rate swap contracts to hedge its exposure to future cash flows due to interest rate fluctuations. As at 31 December 2018, the notional amount of these derivatives amounted to AED 2,133,450 thousand (USD 580,530 thousand) with a positive change in fair value (net) of AED 87,571 thousand (2017: AED 2,112 thousand) recorded in the statement of comprehensive income.

21 TRADE AND OTHER PAYABLES

	2018 AED'000	2017 AED'000
Trade payables	**467,694**	524,062
Accrual for contractors' costs	**1,738,118**	1,651,530
Advances from the Government of Abu Dhabi (note 32)	**1,285,612**	956,848
Deferred income	**363,082**	347,528
Dividends payable	**91,701**	102,803
Provision for onerous contracts	**31,501**	28,569
Gross amount due to customers on contracts for sale of properties (note 11.6)	**–**	221,497
Gross amount due to customers on contracts to construct an asset (note 11.7)	**41,478**	92,611
Due to the Government of Abu Dhabi (note 32)	**640,657**	937,199
Other liabilities	**834,438**	534,627
	5,494,281	5,397,274

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

22 REVENUE

	2018 AED'000	2017 AED'000
Property development and management	**2,440,058**	2,277,888
Asset management and adjacencies	**3,846,475**	3,902,788
	6,286,533	6,180,676

23 DIRECT COSTS

	2018 AED'000	2017 AED'000
Property development and management	**1,344,714**	1,183,242
Asset management and adjacencies	**2,310,132**	2,341,929
	3,654,846	3,525,171

24 SELLING AND MARKETING EXPENSES

	2018 AED'000	2017 AED'000
Corporate advertising	**19,782**	27,033
Exhibitions and sponsorships	**17,494**	13,418
Project marketing	**48,164**	34,527
	85,440	74,978

25 STAFF COSTS

	2018 AED'000	2017 AED'000
Salaries, bonuses and other benefits	**799,943**	746,625
Employees' end of service benefits (note 19)	**36,687**	26,420
Staff training and development	**2,740**	2,108
	839,370	775,153
Staff costs allocated to:		
Direct costs	**604,207**	523,857
General and administrative expenses	**218,948**	227,767
Projects under development	**16,215**	23,529
	839,370	775,153

26 (PROVISIONS, IMPAIRMENTS AND WRITE DOWNS)/REVERSAL, NET

	2018 AED'000	2017 AED'000
Reversal for impairment of property, plant and equipment, net (note 6)	**22,507**	1,341
(Provision)/reversal of allowance for expected credit loss, net (note 11.8)	**(28,970)**	9,544
Receivables write-offs	**(21,143)**	–
Provision for onerous contracts	**(12,126)**	–
Write-off of development work in progress (note 12)	**(3,348)**	(2,064)
Others	**(6,968)**	–
	(50,048)	8,821

27 FINANCE INCOME

	2018 AED'000	2017 AED'000
Interest/profit earned on:		
Islamic deposits	**27,236**	40,542
Bank fixed deposits	**11,942**	36,650
Call and current accounts	**18,536**	6,853
Total interest/profit earned	**57,714**	84,045
Financing element earned on receivables, net	**–**	17,847
Financing income earned on receivables from project finance	**12,904**	13,373
Other finance income	**9,117**	9,377
	79,735	124,642

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

	2018 AED'000	2017 AED'000
Loans and receivables	**22,021**	40,597
Bank balances and deposits	**57,714**	84,045
	79,735	124,642

28 FINANCE COSTS

	2018 AED'000	2017 AED'000
Gross costs	**287,547**	228,222
Unwinding of finance cost on operating lease liability (note 33.2)	**19,002**	22,292
Less: amounts included in the cost of qualifying assets(i) (note 8)	**–**	(213)
	306,549	250,301
Recycling of hedging reserve loss	**3,200**	3,952
	309,749	254,253

(i) There was no capitalised borrowing cost during the year ended 31 December 2018. The weighted average capitalisation rate of funds borrowed in 2017 was 3.6% per annum.

29 OTHER INCOME

	2018 AED'000	2017 AED'000
Government grant income recorded upon handover of infrastructure assets (note 32.1)	**466,932**	390,745
Write back on receivables and cancellation of land plots, net	**-**	41,996
Recovery of amounts previously charged to consolidated income statement	**-**	73,871
Release of infrastructure accruals, onerous provisions and other accruals	**127,088**	73,130
Gain on business combination (note 5)	**132,791**	-
Others	**41,057**	52,470
	767,868	632,212

30 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:

	2018	2017
Earnings (AED '000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,855,808**	1,995,505
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	**0.236**	0.254

31 DIVIDENDS

At the annual general assembly held on 21 March 2018, the shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 12 fils per share for a total of AED 943,516 thousand. The Board of Directors propose a cash dividend of AED 14 fils per share for the year ended 31 December 2018. The proposed dividend is subject to the approval of the Shareholders at the annual general assembly.

32 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.

Related party balances:

	2018 AED'000	2017 AED'000
Government of Abu Dhabi:		
Trade and other receivables	**1,066,984**	1,312,092
Trade and other payables	**(640,657)**	(937,199)
Advances received (note 21)	**(1,285,612)**	(956,848)
Major shareholder:		
Trade and other receivables	**47,685**	–
Trade and other payables	**(13,229)**	–
Due from associates and joint ventures (note 11.5)	**88,648**	356,976
Due to joint ventures for project-related work	**(32,692)**	(32,692)

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

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

	2018 AED'000	2017 AED'000
Government of Abu Dhabi:		
Revenue	**911,367**	906,299
Major shareholder:		
Revenue	**24,876**	–
Finance income	**6,798**	–
Finance income from project finance and joint ventures	**12,150**	19,740

	2018 AED'000	2017 AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**10,805**	15,275
Post-employment benefits	**1,435**	590
	12,240	15,865
Directors remuneration paid	**19,279**	23,000

32 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

32.1 The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant. 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 income statement. During the year, an amount of AED 466,932 thousand was recognised as government grant income upon handover of infrastructure assets (31 December 2017: AED 390,745 thousand).

32.2 Outstanding borrowings of AED 3,947,000 thousand (31 December 2017: AED 1,941,635 thousand) are due to the banks controlled by the Government and major shareholder. Finance cost on these borrowings amounted to AED 110,760 thousand for the year ended 31 December 2018 (2017: AED 81,404 thousand).

32.3 Deposits and bank balances of AED 3,527,049 thousand (31 December 2017: AED 4,045,294 thousand) are kept with banks controlled by the Government and major shareholder. Finance income on these deposits amounted to AED 30,415 thousand for the year ended 31 December 2018 (2017: AED 50,137 thousand).

32.4 Letter of credits and bank guarantees issued through banks controlled by the Government and major shareholder amounted to AED 361,645 thousand for the year ended 31 December 2018 (2017: AED 800,136 thousand).

33 COMMITMENTS AND CONTINGENCIES

33.1 CAPITAL COMMITMENTS

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

	2018 AED'000	2017 AED'000
Projects under development	**4,135,230**	3,468,891
Reimbursable projects works in progress	**1,135,018**	2,722,701
Others	**4,357**	30,342
	5,274,605	6,221,934

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 905,749 thousand (2017: AED 784,485 thousand) against the above commitments.

33.2 OPERATING LEASE COMMITMENTS

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

THE GROUP AS LESSOR

	2018 AED'000	2017 AED'000
Buildings:		
Within one year	**762,555**	900,147
In the second to fifth year	**1,434,533**	1,671,228
After five years	**507,262**	598,172
	2,704,350	3,169,547

Following the Group election to adopt IFRS-16, the resulting impact on the consolidated income statement and consolidated statement of cash flows is as follows:

THE GROUP AS A LESSEE

	2018 AED'000	2017 AED'000
Unwinding of interest expense during the period on lease liabilities (note 28)	**19,002**	22,292
Expense relating to short-term leases	**2,638**	28,115
Total cash outflow in respect of leases	**54,851**	25,468

33.3 CONTINGENCIES

LETTERS OF CREDIT AND BANK GUARANTEES

	2018 AED'000	2017 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	**839,167**	784,166
Group's share in contingencies of joint ventures and associates	**152,052**	165,765

Included in the above are bank guarantees and letters of credit amount of AED 749,584 thousand (2017: AED 720,039 thousand) pertaining to a construction related subsidiary.

34 FINANCIAL INSTRUMENTS

34.1 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.

34.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 AED'000	2017 AED'000
Financial assets		
Investment in financial assets at FVOCI	**96,116**	119,389
Loans and receivables (including cash and bank balances)	**9,388,251**	11,258,371
Total	**9,484,367**	11,377,760
Financial liabilities		
Financial liabilities measured at amortised cost	**11,801,451**	10,132,555
Derivative instruments	**5,802**	16,263
Total	**11,807,253**	10,148,818

34.3 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:

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

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

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

The Group monitors its cost of debt on a regular basis. At 31 December 2018, the weighted average cost of debt was 4.01% (2017: 3.60%). 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 seven (2017: nine) borrowing arrangements require the Group maintaining a minimum tangible net worth. Two loans require a minimum tangible net worth of AED 6 billion and five loans require a minimum tangible net worth of AED 4 billion.

34.5 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	
	2018 AED'000	2017 AED'000	**2018 AED'000**	2017 AED'000
US Dollar	**2,849,652**	3,612,253	**682,291**	589,869
Saudi Riyal	**9,185**	4,072	**42,230**	10,392
Euro	**89**	–	**-**	–
Pound Sterling	**60**	134	**-**	–
	2,858,986	3,616,459	**724,521**	600,261

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

B) INTEREST RATE RISK MANAGEMENT

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in notes 14, 17, and 18.

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 2018 would increase/decrease by AED 35,345 thousand/AED 35,345 thousand (2017: increase/decrease by AED 11,139 thousand/AED 10,211 thousand).

INTEREST RATE SWAP CONTRACTS

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

34 FINANCIAL INSTRUMENTS continued

34.5 MARKET RISK MANAGEMENT continued

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.

34.6 CREDIT RISK MANAGEMENT

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

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

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 11. 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 2018, 100% (2017: 100%) of the deposits were placed with 13 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.

34.7 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 2018 and 2017 based on contractual undiscounted 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 2018							
Financial assets							
Non-interest bearing instruments		**–**	**1,009,102**	**2,894,003**	**280,030**	**79,072**	**4,262,207**
Receivables from project finance	**6-9%**	**–**	**5,125**	**19,410**	**58,657**	**254,401**	**337,593**
Variable interest rate instruments		**3,436,998**	**658,686**	**961,494**	**–**	**–**	**5,057,178**
Derivative instruments		**–**	**–**	**–**	**14,024**	**–**	**14,024**
Total		**3,436,998**	**1,672,913**	**3,874,907**	**352,711**	**333,473**	**9,671,002**
Financial liabilities							
Non-interest bearing instruments[1]		**62,038**	**2,573,435**	**1,090,101**	**304,702**	**–**	**4,030,276**
Non-convertible sukuk		**–**	**–**	**21,811**	**–**	**1,810,140**	**1,831,951**
Variable interest rate instruments		**4,154**	**11,858**	**342,500**	**4,484,500**	**400,000**	**5,243,012**
Operating lease liability		**56,164**	**7,608**	**35,423**	**223,045**	**207,657**	**529,897**
Derivative instruments		**–**	**–**	**–**	**5,802**	**–**	**5,802**
Total		**122,356**	**2,592,901**	**1,489,835**	**5,018,049**	**2,417,797**	**11,640,938**
31 December 2017							
Financial assets							
Non-interest bearing instruments		95,000	853,974	3,039,442	325,563	82,571	4,396,550
Receivables from project finance	6-9%	–	5,125	23,790	71,490	243,854	344,259
Variable interest rate instruments		2,452,164	158,035	4,341,643	–	–	6,951,842
Total		2,547,164	1,017,134	7,404,875	397,053	326,425	11,692,651
Financial liabilities							
Non-interest bearing instruments[1]		227,158	2,288,428	859,727	242,199	–	3,617,512
Non-convertible sukuk		–	–	2,755,125	–	–	2,755,125
Variable interest rate instruments		–	38,021	769,369	1,400,000	1,005,000	3,212,390
Operating lease liability		–	21,326	29,725	181,268	326,706	559,025
Derivative instruments		–	5,748	10,515	–	–	16,263
Total		227,158	2,353,523	4,424,461	1,823,467	1,331,706	10,160,315

(1) Including security deposits from customers.

35 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 2018		As at 31 December 2017	
	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 17)	**1,831,951**	**1,839,285**	2,762,570	2,800,722

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 2018 and 31 December 2017, 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 2018				
Investments in financial assets at FVOCI				
Equities	**38,950**	**57,166**	**–**	**96,116**
31 December 2017				
Investments in financial assets at FVOCI				
Equities	28,000	91,389	–	119,389

The fair values of derivative instruments amounting to AED 8,222 thousand (net) pertaining to interest rate swap are determined by independent valuers (see notes 20 and 34.5) 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.

During the year, an unquoted investment has become listed and as a result moved from level 2 to level 1 hierarchy amounted to AED 20,000 thousand at 31 December 2018.

36 SEGMENT INFORMATION

36.1 BUSINESS SEGMENTS

Segment information about the Group's continuing operations for the year ended 31 December 2018 is presented below:

	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	Adjacencies AED'000	Group AED'000
Revenue excluding service charges	2,359,312	80,746	1,614,580	615,342	1,479,561	6,149,541
Revenue from service charges	-	-	136,992	-	-	136,992
Gross revenue	2,359,312	80,746	1,751,572	615,342	1,479,561	6,286,533
Cost of revenue excluding service charge	(1,332,187)	(12,527)	(204,893)	(518,157)	(1,450,090)	(3,517,854)
Service charge expenses	-	-	(136,992)	-	-	(136,992)
Gross profit	1,027,125	68,219	1,409,687	97,185	29,471	2,631,687
Depreciation and amortisation	-	-	(7,419)	(134,074)	(75,014)	(216,507)
Reversal/(provisions, impairments and write downs), net	-	-	(87,126)	29,416	793	(56,917)
Fair value loss on investment properties, net	-	-	(671,046)	-	-	(671,046)
Share of profit from associates and joint ventures, net	-	-	48,006	-	-	48,006
Other income	610,731	-	14,472	-	-	625,203
Segment profit/(loss)	1,637,856	68,219	706,574	(7,473)	(44,750)	2,360,426
Share of profit from associates and joint ventures, net						1,857
Selling and marketing expenses						(85,440)
Provisions, impairments and write downs, net						6,869
Gain on disposal of joint venture						30,319
General and administrative expenses						(358,183)
Depreciation and amortisation						(13,635)
Finance income						79,735
Finance costs						(309,749)
Other income						142,665
Profit for the year						1,854,864

36 SEGMENT INFORMATION continued

36.1 BUSINESS SEGMENTS continued

Segment information about the Group's continuing operations for the year ended 31 December 2017 is presented below:

	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	Adjacencies AED'000	Group AED'000
Revenue excluding service charges	2,127,655	150,232	1,581,670	506,133	1,673,706	6,039,396
Revenue from service charges	–	–	141,280	–	–	141,280
Gross revenue	2,127,655	150,232	1,722,950	506,133	1,673,706	6,180,676
Cost of revenue excluding service charge	(1,168,115)	(15,127)	(181,895)	(406,343)	(1,612,411)	(3,383,891)
Service charge expenses	–	–	(141,280)	–	–	(141,280)
Gross profit	959,540	135,105	1,399,775	99,790	61,295	2,655,505
Depreciation and amortisation	–	–	(6,556)	(115,796)	(48,533)	(170,885)
Reversal/(provisions, impairments and write downs), net	95,310	–	(17,000)	(32,717)	(35,540)	10,053
Fair value loss on investment properties	–	–	(613,107)	–	–	(613,107)
Share of profit from associates and joint ventures, net	–	–	51,252	–	–	51,252
Gain on disposal of investment properties	–	–	3,835	–	–	3,835
Other income	506,116	–	58,410	18	5,145	569,689
Segment profit/(loss)	1,560,966	135,105	876,609	(48,705)	(17,633)	2,506,342
Share of loss from associates and joint ventures, net						(9,708)
Selling and marketing expenses						(74,978)
Provisions, impairments and write downs, net						(1,232)
General and administrative expenses						(332,310)
Depreciation and amortisation						(15,091)
Finance income						124,642
Finance costs						(254,253)
Other income						62,523
Profit for the year						2,005,935

The segment assets and liabilities and capital and project expenditures 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**	**Adjacencies AED'000**	**Unallocated AED'000**	**Group AED'000**
As at 31 December 2018							
Assets	**10,967,491**	**2,312,197**	**17,712,381**	**2,679,330**	**2,274,276**	**2,598,030**	**38,543,705**
Liabilities	**(1,876,126)**	**(2,472,839)**	**(7,116,630)**	**(1,086,522)**	**(1,218,468)**	**(537,290)**	**(14,307,875)**
Year ended 31 December 2018							
Capital expenditures	**1,500,323**	**–**	**49,822**	**341,610**	**683,953**	**8,739**	**2,584,447**
Project expenditures	**2,516,898**	**–**	**898,331**	**–**	**3,710**	**–**	**3,418,939**
As at 31 December 2017							
Assets	8,279,511	2,281,360	17,222,084	2,293,710	1,706,200	4,614,061	36,396,926
Liabilities	(1,555,201)	(2,355,518)	(2,188,271)	(148,239)	(1,156,854)	(5,757,678)	(13,161,761)
Year ended 31 December 2017							
Capital expenditures	–	–	29,404	14,806	104,730	6,000	154,940
Project expenditures	1,342,289	–	284,953	–	3,248	–	1,630,490

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 investment in associates and joint ventures, investment in financial assets at fair value through other comprehensive income 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 corporate borrowings and 'other financial liabilities'. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

36.2 GEOGRAPHICAL SEGMENTS

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

37 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses include social contributions amounting to AED 35,000 thousand (2017: AED 40,000 thousand).

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2019.

Notes

Notes

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