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You are reminded that the information contained in the Document is not complete and may be changed. Neither the Joint Lead Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the Document or for any statement made or purported to be made by any of them, or any on their behalf, in connection with the Trustee, the Obligor or the offer. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the Document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Document.

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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Trustee in such jurisdiction.

The Document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee, the Obligor nor any person who controls or is a director, officer, employee, agent, adviser or representative of the Joint Lead Managers, the Trustee, the Obligor nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers. By accessing the Document, you consent to receiving it in electronic form.

Recipients of the Document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the Document.

The distribution of the Document and the offer or sale of the securities described herein in certain jurisdictions may be restricted by law. Persons into whose possession the Document comes are required by the Joint Lead Managers, the Trustee and the Obligor to inform themselves about, and to observe, any such restrictions.

ALDAR SUKUK (NO. 2) LTD.

(an exempted company incorporated with limited liability under the laws of the Cayman Islands)

U.S.$500,000,000 Trust Certificates due 2029

The U.S.$500,000,000 trust certificates due 2029 (the "**Certificates**") of Aldar Sukuk (No. 2) Ltd. (in its capacity as issuer and trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 22 October 2019 (the "**Issue Date**") entered into between the Trustee, Aldar Investment Properties LLC ("**Aldar Investments**" or the "**Obligor**" (which expressions shall be construed as referring to Aldar Investment Properties LLC acting in all its relevant capacities under the Transaction Documents (as defined herein) to which it is a party unless the context otherwise requires)) and Citibank N.A., London Branch (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "**Conditions**").

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 22 October 2029 (the "**Scheduled Dissolution Date**") at a rate of 3.875 per cent. per annum. Payments on the Certificates will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the United Arab Emirates (the "**UAE**") or the Emirate of Abu Dhabi or any authority therein or thereof having power to tax to the extent described under Condition 11.

The Certificates shall be redeemed on the Scheduled Dissolution Date but the Certificates may be redeemed before the Scheduled Dissolution Date: (i) at the option of the Trustee in whole but not in part in the event of certain changes affecting taxes of the Cayman Islands, the UAE and/or the Emirate of Abu Dhabi; or (ii) following the occurrence of a Dissolution Event or a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) (each as defined in the Conditions); or (iii) following the occurrence of a Change of Control Event (as defined in the Conditions); or (iv) at the option of the Obligor in whole but not in part; or (v) in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee, in the case of (i) and (ii) and (v), at the Dissolution Distribution Amount (as defined in the Conditions), in the case of (iii) at the Change of Control Amount (as defined in the Conditions), and in the case of (iv), at the Optional Dissolution Distribution Amount (as defined in the Conditions). The Trustee will pay the Dissolution Distribution Amount, the Change of Control Amount or, as the case may be, the Optional Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets which include payments by the Obligor under the Transaction Documents.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. Investors should carefully review the risks described herein under "*Risk Factors*".

The Certificates are not obligations of Aldar Properties PJSC ("Aldar"), and Aldar is not responsible for the payment of any amounts due thereunder. The Trustee cannot use the operating income or cash flows of Aldar for payments in respect of the Certificates.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Trustee or the Obligor, nor as an endorsement of the quality of the Certificates. Investors should make their own assessment as to the suitability of investing in the Certificates. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Certificates to be admitted to the official list (the "**Official List**") and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

Application has also been made to: (i) the Securities and Commodities Authority of the United Arab Emirates (the "**SCA**"), to approve the issuance of the Certificates in accordance with Article 8 of Decision No. 16 of 2014 Concerning the Regulation of Sukuk of the SCA; and (ii) the Abu Dhabi Securities Exchange ("**ADX**") for the Certificates to be admitted to listing on the ADX. The SCA makes no representation as to the accuracy or completeness of this Prospectus and accepts no liability for the contents of this Prospectus or for any loss of any kind which may be incurred by any party in connection with it or its contents. References in this Prospectus to the Certificates being **listed** (and all related references) shall mean that the Certificates have been admitted to listing on the Official List and on the ADX and have been admitted to trading on the regulated market of Euronext Dublin.

The Certificates will be issued in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates will initially be represented by a global certificate in registered form (the "**Global Certificate**") deposited on or before the Issue Date, and registered in the name of the nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

The Certificates are expected to be assigned a rating of Baa1 by Moody's Investors Service Ltd ("**Moody's**"). The Obligor has been assigned a long-term rating of Baa1 with a stable outlook by Moody's.

The Emirate of Abu Dhabi has been assigned a rating of AA by Fitch Ratings Limited ("**Fitch**"), Aa2 by Moody's Investors Services Singapore Pte. Ltd. ("**Moody's Singapore**") and AA by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), each with a stable outlook. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Singapore.

Moody's Singapore is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency organisations.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

The Certificates have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Joint Global Co-Ordinators

Dubai Islamic Bank | **First Abu Dhabi Bank**
HSBC | **Standard Chartered Bank**

Joint Lead Managers

Abu Dhabi Commercial Bank | **Abu Dhabi Islamic Bank** | **Dubai Islamic Bank**
Emirates NBD Capital | **First Abu Dhabi Bank** | **HSBC**
Sharjah Islamic Bank | | **Standard Chartered Bank**

The date of this Prospectus is 17 October 2019

This Prospectus comprises a prospectus for the purposes of Article 6 the Prospectus Regulation and is for the purpose of giving information with regard to the Trustee, the Obligor and the Certificates which, according to the particular nature of the Trustee, the Obligor and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Obligor.

Each of the Trustee and the Obligor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Trustee and the Obligor, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Trustee and Obligor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is valid for 12 months from its date. The Trustee will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Certificates, prepare a supplement to this Prospectus. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy shall not apply following the time at which the Certificates are admitted to trading on the regulated market of Euronext Dublin.

The information on the websites to which this Prospectus refers do not form part of this Prospectus and has not been scrutinised or approved by the Central Bank.

No representation, warranty or undertaking, express or implied, is made and no responsibility accepted by the Joint Lead Managers, the Delegate, the Agents (as defined herein), or any of their respective affiliates, as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Certificates or for any acts or omissions of the Trustee, the Obligor or any other person in connection with this Prospectus or the issue and offering of the Certificates. Each person receiving the Prospectus acknowledges that such person has not relied on any of the Joint Lead Managers, the Delegate, any of the Agents, or any of their respective affiliates, in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own assessment of the Trustee, the Obligor and/or the Certificates. Nothing contained in this Prospectus is, or is to be construed as, or shall be relied on as a promise, representation or warranty, whether as to the past or future, by any of the Joint Lead Managers, the Delegate, any of the Agents, any of their respective affiliates in any respect. To the fullest extent permitted by law, none of the Joint Lead Managers, the Delegate, the Agents or any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus. Each of the Joint Lead Managers, the Delegate, the Agents, and their respective affiliates, accordingly disclaims all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Prospectus.

No person is or has been authorised by the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents.

Neither this Prospectus nor any other information supplied in connection with the offering of the Certificates: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents that any recipient of this Prospectus or any other information supplied in connection with the offering of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of, the Trustee and the Obligor.

Neither the delivery of this Prospectus nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee or the Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or the Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers, the Delegate and the Agents expressly do not undertake to review the financial condition or affairs of the Trustee or the Obligor during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

In connection with the issue and sale of the Certificates, each of the Joint Lead Managers and any of their respective affiliates acting as an investor for its own account may take up Certificates and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Trustee or the Obligor or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Certificates. Accordingly, references in this Prospectus to the Certificates being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. The Joint Lead Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

No comment is made, or advice is given by, the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents or any of their respective directors, affiliates, advisers or agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, BUSINESS ADVISER AND SHARI'A ADVISER AS TO TAX, LEGAL, BUSINESS, SHARI'A AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, the Obligor, the Joint Lead Managers or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents, represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Obligor, the Joint Lead Managers or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents, which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus comes are required by the Trustee, the Obligor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre (the "**DIFC**")), the DIFC, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore.

For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Trustee, the Obligor, the Joint Lead Managers, the Delegate, the Agents or any of their respective directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Obligor. None of the Joint Lead Managers, the Delegate or any Agent undertakes to review the financial condition or affairs of the Trustee or the Obligor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency for payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof.

STABILISATION

In connection with the issue of the Certificates, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates during the stabilisation period at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of the Obligor, or the business strategy, management plans and objectives for future operations of the Obligor, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Obligor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of Aldar Investments*" and other sections of this Prospectus. The Obligor has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding the Obligor's present, and future, business strategies and the environment in which the Obligor expects to operate in the future. Important factors that could cause the Obligor's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed in this Prospectus (see "*Risk Factors*").

Forward-looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and the Obligor expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Trustee or the Obligor or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Trustee and the Obligor cannot assure potential investors that projected results or events will be achieved and the Trustee and the Obligor caution potential investors not to place undue reliance on these statements.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future. Any prospective investor in the Certificates should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of person set out in Schedule 6 or Section 229(l)(b), Schedule 7 or Section 230(l)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Obligor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar (including the Qatar Financial Centre) and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Central Bank or the Qatar Stock Exchange in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000, or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities which are the subject of the Carve-Out Financial Statements (as defined below). Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business of Aldar Properties PJSC ("**Aldar**").*

PRESENTATION OF FINANCIAL INFORMATION

Reorganisation

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but undrawn debt facilities.

Historical financial statements

This Prospectus includes:

- the unaudited condensed consolidated financial statements of Aldar Investments for the six months ended 30 June 2019 (the "**Interim Financial Statements**"), which include comparative information for the six months ended 30 June 2018;
- the audited consolidated financial statements of Aldar Investments as at and for the year ended 31 December 2018 (the "**2018 Financial Statements**"), which include comparative information as at and for the year ended 31 December 2017; and
- the audited carve-out financial statements of the asset management business of Aldar as at and for the three years ended 31 December 2015, 2016 and 2017 (the "**Carve-Out Financial Statements**").

All financial information in this Prospectus as at and for the six month periods ended 30 June in each of 2019 and 2018 has been derived from the Interim Financial Statements. All information in this Prospectus as at and for the years ended 31 December in each of 2018 and 2017 has been derived from the 2018 Financial Statements. All information in this Prospectus as at and for the year ended 31 December 2016 has been derived from the Carve-Out Financial Statements.

The transfer of Aldar's asset management business to Aldar Investments in mid-2018 represented a transfer of business under common control. The management of Aldar Investments applied the pooling of interests method of accounting, whereby the 2018 Financial Statements are presented as a continuation of the Aldar asset management business. Consequently, the comparative financial information as at and for the year ended 31 December 2017 presented in the 2018 Financial Statements and for the six months ended 30 June 2018 presented in the Interim Financial Statements represents the financial results, financial position and cash flow statement of the Aldar asset management business. As the transfer of this business to Aldar Investments was effected subsequent to the incorporation of Aldar Investments, the 2018 Financial Statements also include the results of the Aldar asset management business until the date of its transfer to Aldar Investments.

The Carve-Out Financial Statements were prepared on a carve-out basis from Aldar's consolidated financial statements for the years ended 31 December in each of 2017, 2016 and 2015 by extracting the financial information relating to Aldar's asset management business, which represents the investment properties and hospitality assets that were transferred to Aldar Investments. Prospective investors should consult their own professional advisers to gain an understanding of the Interim Financial Statements, the 2018 Financial Statements, the Carve-Out Financial Statements and the other financial information contained in this Prospectus.

The principal purpose of the Carve-Out Financial Statements was to present the historical operations of the assets that were transferred by Aldar to Aldar Investments and to reflect all of the income generated from those assets as well as the costs of doing business associated with those assets. Significant judgment was used, based on the purpose for which the Carve-Out Financial Statements were prepared, to ensure that they met the objective of providing useful information, particularly as IFRS does not provide any specific guidance on their preparation. See further note 2.2 to the 2018 Financial Statements and note 3.1 to the Carve-Out Financial Statements and "*Risk factors—Risks relating to Aldar Investments generally—Significant judgment was exercised in the preparation of the 2018 Financial Statements and the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements and the 2018 Financial Statements*".

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

The 2018 Financial Statements and the Carve-Out Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Aldar Investments' financial year ends on 31 December and references in this Prospectus to "**2018**", "**2017**" and "**2016**" are to the 12 month period ending on 31 December in each such year.

Auditors and unaudited information

The Interim Financial Statements were reviewed by Deloitte & Touche (M.E.), Level 11, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, P.O. Box 990, Abu Dhabi, United Arab Emirates, independent auditors ("**Deloitte & Touche (M.E.)**") in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", who issued an unqualified review report on the Interim Financial Statements.

The 2018 Financial Statements were audited by Ernst & Young Middle East (Abu Dhabi Branch), 27th Floor, Nation Tower 2, Abu Dhabi Corniche, P.O. Box 136, Abu Dhabi, United Arab Emirates, independent auditors ("**EY**") in accordance with International Standards on Auditing, who issued an unqualified report on the 2018 Financial Statements.

The Carve-Out Financial Statements were audited by EY in accordance with International Standards on Auditing, who issued an unqualified report on the Carve-Out Financial Statements. The Carve-Out Financial Statements were prepared at the Obligor's request and are included in this Prospectus with the consent of the Auditors.

All financial information as at and for the six months ended 30 June 2019 and 30 June 2018 included in this Prospectus is unaudited. In addition, certain other financial information in this Prospectus is unaudited financial information which has been extracted without material adjustment from the accounting records which form the underlying basis of the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements. In particular, financial information included within "*Selected financial information—Selected ratios*" is unaudited.

Certain non-IFRS financial information

This Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes alternative performance measures ("**APM**s") for the purposes of the European Securities and Markets Authority Guidelines on Alternative Performance Measures. This information, all of which has been derived from information included in the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements, appears in "*Selected financial information—Selected ratios*" and is referred to in other places in this document. None of this financial information is subject to any audit or review by independent auditors.

This Prospectus includes references to Adjusted EBITDA and Carve-Out Adjusted EBITDA. Adjusted EBITDA and Carve-Out Adjusted EBITDA are APMs and are also not a measurement of performance under IFRS and investors should not consider Adjusted EBITDA and Carve-Out Adjusted EBITDA as an alternative to:

- operating income or net income (as determined in accordance with IFRS) as a measure of operating performance;
- cash flows from ongoing operations, investing and financing activities (as determined in accordance with IFRS) as a measure of ability to meet cash needs; or
- any other measures of performance under IFRS.

Adjusted EBITDA and Carve-Out Adjusted EBITDA are presented in this Prospectus because Aldar Investments believes that Adjusted EBITDA and Carve-Out Adjusted EBITDA may assist investors in the understanding of the historical performance of its business and Aldar's asset management business as represented in the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements. This information is not prepared in accordance with IFRS and should be viewed as supplemental to the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements. Other companies, including those in Aldar Investments' industry, may calculate Adjusted EBITDA differently from Aldar Investments. As all companies do not calculate Adjusted EBITDA in the same manner, Aldar Investments' presentation of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

For a reconciliation of reported profit for the period to Adjusted EBITDA and Carve-Out Adjusted EBITDA for each of the six months ended 30 June 2019 and 30 June 2018 and for each of 2018, 2017 and 2016, see "*Selected financial information—Adjusted EBITDA and Carve-Out Adjusted EBITDA*".

There are some limitations in using Adjusted EBITDA and Carve-Out Adjusted EBITDA as financial measures including:

- they do not reflect Aldar Investments' cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, Aldar Investments' working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measures do not reflect any cash requirements for such replacement.

Relevance of the Carve-Out Financial Statements to Aldar Investments' future business

The principal purpose of the Carve-Out Financial Statements, which were prepared in connection with the reorganisation of Aldar's asset management business, was to present the historical operations of the asset management business that were transferred by Aldar to Aldar Investments in 2018 and to reflect all of the associated costs of the asset management business.

However, investors should be aware that:

- the Carve-Out Financial Statements included certain non-convertible sukuk and bank borrowings that were not transferred to Aldar Investments and Aldar Investments has subsequently entered into new borrowings. Aldar Investments' borrowings as at 30 June 2019 and as at 31 December 2018 are set out in the Interim Financial Statements and the 2018 Financial Statements, respectively;
- certain expenses (including staff costs, selling and marketing expenses and general and administrative expenses) associated with Aldar's asset management business but incurred by Aldar were allocated in the Carve-Out Financial Statements and in the 2018 Financial Statements for the six month period ended 30 June 2018. These represented certain asset management services and corporate and shared service functions historically provided by Aldar including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing and other shared services. The allocation was made on the basis of direct usage when identifiable and otherwise on a *pro rata* basis of consolidated sales and staff cost representing reasonable reflection of the historical utilisation levels of the services. Since 1 July 2018, this

allocation has ceased and instead Aldar Investments has paid a management fee to Aldar in respect of the properties managed by Aldar on Aldar Investments' behalf; and

- all significant transactions between the asset management business and Aldar and its subsidiaries (including financial transactions and expense allocation) are reflected in the Carve-Out Financial Statements, the 2018 Financial Statements and in the comparative information in the Interim Financial Statements as "Net investment by the Parent" under equity in the statement of financial position and as "Movement in net investment by the Parent" in the statement of changes in equity.

Reflecting the above factors, investors should exercise caution when assessing Aldar Investments' future business prospects based on the financial information in the Carve-Out Financial Statements, the 2018 Financial Statements and the Interim Financial Statements. See also "*Risk factors—Risks relating to Aldar Investments generally—Significant judgment was exercised in the preparation of the 2018 Financial Statements and the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements and the 2018 Financial Statements*".

PRESENTATION OF OTHER INFORMATION

Currencies

Unless otherwise indicated, in this Prospectus, all references to:

- "**dirham**" and "**AED**" are to the lawful currency of the United Arab Emirates; and
- "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in dirham. Aldar Investments' functional currency is the dirham and Aldar Investments prepares its financial statements in dirham. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

Third party information

Where third party information has been used in this Prospectus, the source of such information has been identified. Where any data included in this Prospectus is referred to as having been estimated, all such estimates have been made by Aldar Investments using its own information and other market information which is publicly available. Although all such estimations have been made in good faith based on the information available and Aldar Investments' knowledge of the market within which it operates, Aldar Investments cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Abu Dhabi and the UAE included in this Prospectus has been derived from official public sources, including the Statistics Centre – Abu Dhabi (the "**SCAD**"), the UAE Federal Competitiveness and Statistics Authority (the "**FCSA**"), the Organisation of Petroleum Exporting Countries ("**OPEC**"), the International Monetary Fund (the "**IMF**") and Abu Dhabi National Oil Company ("**ADNOC**") and certain other sources identified in this Prospectus. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by Aldar Investments to investors who have purchased the Certificates.

Information relating to the Abu Dhabi property market included in this Prospectus has been derived from property research published by Jones Lang LaSalle IP, Inc. ("**JLL**"). All such information may differ from that stated in other sources for a variety of reasons, including the use of different source material and cut off times and the subjective interpretation of the source material used. This information may subsequently be revised as new information becomes available and any such revised information will not be circulated by Aldar Investments to investors who have purchased the Certificates.

Where information has not been independently sourced, it is Aldar Investments' own information.

No incorporation of website information

Aldar's website is www.aldar.com and Aldar Investments does not have its own website. The information on Aldar's website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

Definitions

In this Prospectus:

- "**Abu Dhabi**" means the Emirate of Abu Dhabi;
- "**Aldar Investments**" means Aldar Investment Properties LLC;
- "**Aldar**" means Aldar Properties PJSC, the direct and indirect parent company of Aldar Investments through: (i) its 0.1 per cent. shareholding in Aldar Investments; and (ii) its 100 per cent. shareholding in Aldar Investment Holding (Restricted) Limited which itself has a 99.9 per cent. shareholding in Aldar Investments;
- "**Aldar Properties Expected to be Acquired**" means two projects currently being developed by Aldar - The Bridges, which comprises up to 636 residential units and is currently expected to be completed in 2020, and Water's Edge, which comprises up to 507 residential units and is currently expected to be completed in 2021;
- "**cooling assets**" means Aldar Investments' district cooling plants;
- "**commercial properties**" means Aldar Investments' portfolio of buildings containing office units and includes the purpose built building which is leased to the operator of the Repton school;
- "**GCC**" means the Gulf Cooperation Council (comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the UAE);
- "**Government**" means the government of Abu Dhabi;
- "**hospitality properties**" means the Aldar Investments' portfolio of hotel properties and its golf courses and beach club;
- "**hotel properties**" means Aldar Investments' portfolio of hotels and serviced apartment properties;
- "**investment properties**" means Aldar Investments' portfolio of retail, residential and commercial properties;
- the "**MENA region**" means the region comprising the Middle East and North Africa; and
- "**properties**" means Aldar Investments' portfolio of investment and hospitality properties, as well as its cooling assets.

Rounding

Certain data in this Prospectus has been rounded. As a result of such rounding, the totals of data presented in tables in this Prospectus may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "**0**" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

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RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and Aldar Investments believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Trustee or Aldar Investments represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or Aldar Investments or which the Trustee or Aldar Investments currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities which are the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business of Aldar.

RISKS RELATING TO THE TRUSTEE

The Trustee has a limited operating history and no material assets and is dependent upon the performance by Aldar Investments of its obligations under the Transaction Documents to which it is a party

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as a trustee and other activities incidental or related to the foregoing as required under the Transaction Documents to which it is a party.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be) and the Murabaha Agreement.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from Aldar Investments (in its various capacities), of all amounts due under the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be) and the Murabaha Agreement, which, together, may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which Aldar Investments is subject to the extent that such risks could limit Aldar Investments' ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "—*Risks relating to Aldar Investments' investment properties and operating businesses*" and "*Risks relating to Aldar Investments generally*" below for a further description of these risks.

RISKS RELATING TO ALDAR INVESTMENTS' INVESTMENT PROPERTIES AND OPERATING BUSINESSES

The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market

All of Aldar Investments' properties are currently located in Abu Dhabi. As a result, Aldar Investments' ability to generate profits from its real estate asset management business is dependent on, among other things, economic conditions in Abu Dhabi and the state of the Abu Dhabi real estate market. Adverse economic conditions in Abu Dhabi, however arising, could cause a loss of investor confidence, a decrease in consumer purchasing power, reduced tourism and unanticipated changes in Abu Dhabi's demographic mix, any or all of which may negatively impact the Abu Dhabi real estate market and reduce demand for Aldar Investments' properties and services.

According to property research published by JLL in relation to Abu Dhabi and summarised under "*Overview of the UAE and Abu Dhabi—Recent developments in the Abu Dhabi real estate market*":

- retail rental rates in Abu Dhabi experienced downward pressure throughout 2018 and in the first six months of 2019 and JLL expects retail rents to remain under pressure during the rest of 2019;
- residential rental rates declined throughout 2016, 2017, 2018 and the first six months of 2019;
- office rents for Grade A offices declined in 2018 and the first six months of 2019 and JLL expects limited further declines in the rest of 2019; and
- hotels were supported by a steady occupancy rate in both 2017 and 2018 although average daily rates "**ADRs**" declined in both years. In the first six months of 2019, JLL reported increasing ADRs in the Abu Dhabi hotel sector and it expects the sector to perform better for the whole of 2019 than it did in 2018, although JLL does not believe that the market has yet moved into a period of sustained normality.

Reflecting these adverse trends, Aldar Investments experienced both reduced revenue from its investment properties in 2017 and 2018 (driven by lower average occupancy and lease rates) and falling hospitality revenue in each of 2016, 2017 and 2018 (reflecting lower ADRs and revenue per available room in each year). In addition, the generally weaker market conditions resulted in net fair value losses on its investment properties in each of 2016, 2017 and 2018 and impairment charges in respect of its hospitality properties in each of 2016, 2017 and 2018. In the six months ended 30 June 2019, Aldar Investments' revenue from both its investment properties and its operating businesses increased compared to the corresponding period of 2018, although this was driven by significant acquisitions at the end of 2018. In addition, in the six months ended 30 June 2019, Aldar Investments experienced net fair value losses on its investment properties of AED 41 million compared to AED 191 million for the corresponding period of 2018. Furthermore, there were no impairment charges on the hospitality properties in the six months ended 30 June 2019.

There is no assurance that Aldar Investments will not continue to be materially adversely affected in the future by negative economic or real estate market trends, particularly in light of the JLL expectations for the future as discussed above. These developments could result in some or all of the following outcomes:

- reduced occupancy rates in Aldar Investments' investment properties, particularly its residential properties the majority of which are leased on rolling one-year contracts, which would reduce its revenue and its ability to recover certain operating costs such as service charges;
- lower occupancy rates in Aldar Investments' hotel properties which would reduce its revenue;
- a reduction in Aldar Investments' ability to collect rent and service charge payments from tenants and other contractual payments on a timely basis or at all;
- lower rent levels and the terms on which lease renewals and new leases are agreed being less favourable, thereby reducing profitability;
- reduced demand for any properties which Aldar Investments may wish to sell, resulting in lower prices being achieved;
- Aldar Investments' ability to obtain funding being constrained and/or a significant increase in its cost of funding;
- negative changes in the fair value of Aldar Investments' investment properties; and
- increased impairment charges in respect of Aldar Investments' hospitality properties.

Aldar Investments is subject to risks associated with its tenants' liquidity and solvency

Aldar Investments' results of operations and financial condition are dependent on the liquidity and solvency of its tenants. In the six months ended 30 June 2019, AED 330 million, or 28.78 per cent., of its revenue was generated from its retail tenants, AED 270 million, or 23.55 per cent., was generated from its residential tenants and AED 164 million, or 14.31 per cent., was generated from its commercial tenants. Many of Aldar Investments' retail tenants are exposed to both declining consumer spending in times of poor economic conditions and an increasing amount of e-commerce which may negatively impact footfall from those tenants at Aldar Investments' retail properties, both of which could negatively impact the sales volumes and revenue levels of those tenants in the future. Part of the rent of some of Aldar Investments' retail tenants is determined by reference to their turnover. While this is not a material portion of Aldar Investments' overall retail rental income, any decline in its tenants' turnover may cause a decline in Aldar Investments' retail rental income. Poor economic conditions generally may also affect Aldar Investments' tenants' ability to make lease payments or may result in tenants seeking to renegotiate the terms of their leases. Aldar Investments has in the past applied, and may in the future need to apply, rent discounts for certain tenants in order to retain them and maintain occupancy levels. Rental discounts would result in direct reductions to Aldar Investments' revenue.

The bankruptcy or insolvency of major tenants, including tenants at Yas Mall or some of Aldar Investments' other shopping malls, or a substantial number of smaller tenants across its retail, residential and commercial investment properties, would materially decrease Aldar Investments' revenue and available cash, and also negatively impact the value of any affected property. Insolvent tenants may seek protection of applicable insolvency laws which could result in the early termination of their leases, resulting in decreases to Aldar Investments' rental revenue. Aldar Investments' leases generally do not contain provisions designed to monitor the creditworthiness of its tenants and it may not be able to monitor the creditworthiness of its tenants in a timely manner and thus Aldar Investments is exposed to the credit risk of each of its tenants. Although default in rent payments would entitle Aldar Investments to evict the relevant tenant, this may take time and there may be a delay in sourcing a suitable replacement tenant. Rental payment obligations under Aldar Investments' leases are typically not secured by collateral (other than rent deposits, letters of guarantee, notes and similar collateral in certain cases) and Aldar Investments is not insured against lease defaults.

Any of the above factors could result in higher vacancy rates, lower rental income, potential decreases in the fair value of Aldar Investments' investment properties, or otherwise materially adversely affect Aldar Investments.

Aldar Investments is subject to risks associated with the expiration of leases entered into by some of its tenants

Aldar Investments is subject to the risk that, upon the expiration or early termination of leases, leases may not be renewed by existing tenants or entered into by new tenants, or the terms of renewal or re-letting (including the cost of the required renovations or concessions to tenants) may be less favourable to Aldar Investments than the previous lease terms.

For example, Aldar Investments seeks to anchor its shopping malls with well-known tenants who generate shopping footfall. There is a risk, in particular with respect to anchor tenants, that upon the expiration of their leases, the lease may not be renewed by the tenant and that the unit may remain vacant for a period of time or be re-let on terms less favourable to Aldar Investments. The attractiveness of Aldar Investments' shopping malls to new tenants, and its rental income from those malls, may be adversely affected if anchor tenants terminated or declined to renew leases upon expiry, sought lower rents upon review, failed to meet their contractual obligations, sought concessions in order to continue renting their units, or ceased their operations.

In addition, as at 30 June 2019, approximately 52 per cent. of Aldar Investments' residential tenants occupy their properties under rolling one-year lease contracts. As a result, in declining residential rental market conditions, Aldar Investments may experience higher volumes of leases that are not renewed and may need to offer discounted lease rates or other incentives to attract tenants to these properties. This could negatively affect Aldar Investments' rental revenue from these properties for example, in the six months ended 30 June 2019 and in each of 2018 and 2017 Aldar Investments' revenue from its investment properties was negatively impacted by both lower average occupancy and lower average rental rates in respect of its residential and retail investment properties, see "*Financial review—Results of operations*".

As at 30 June 2019, the weighted average unexpired lease term for all of Aldar Investments' investment properties was 4.6 years (on a value basis). Aldar Investments estimates that leases representing approximately 23 per cent. of its base rental income for 2018 will expire in the second six months of 2019, approximately 28 per cent. in 2020, approximately 12 per cent. in 2021, approximately 6 per cent. in 2022, approximately 8 per cent. in 2023 and approximately 23 per cent. in 2024 and beyond.

Any of the above factors could result in higher vacancy rates, lower rental income, potential decreases in the fair value of Aldar Investments' investment properties, or otherwise materially adversely affect Aldar Investments.

Aldar Investments' ability to generate desired returns on its investment properties will depend on its ability to manage those properties on appropriate terms

Aldar Investments' ability to achieve returns on its investment properties will be affected by its ability to:

- generate demand for those properties from tenants on terms that it believes are attractive; and
- from time to time in the future, to identify purchasers for one or more of those properties at prices that it believes are attractive.

Revenue earned from, and the value of, the investment properties held by Aldar Investments may be materially adversely affected by a number of factors, including:

- its ability to fully let its investment properties and to achieve target rental returns;
- its inability to collect rent and other contractual payments from tenants on a timely basis or at all;
- tenants delaying payment of rental and other contractual amounts or the premature termination of a tenant's lease as a result of default, all of which could hinder or delay the re-letting of an investment property;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- a competitive rental market, which may affect rental levels or occupancy levels at Aldar Investments' investment properties;
- adverse events negatively impacting Aldar Investments' reputation; and
- changes in applicable laws and regulations, including, for example, the imposition of rent caps, which lead to reduced revenue, increases in management expenses or unforeseen capital expenditure to ensure compliance.

Negative changes in any one or more of these factors could materially adversely affect Aldar Investments. For example, in the six months ended 30 June 2019 and in each of 2018, 2017 and 2016 Aldar Investments experienced negative changes in the fair value of its investment properties driven by weaker market conditions, see "*Financial review—Principal factors affecting results of operations—Changes in the fair value of Aldar Investments' investment properties*". This risk is increased by the fact that all of the services described above will be supplied by or through Aldar. See "*—Risks relating to Aldar Investments generally—Aldar Investments depends on the services to be provided by Aldar under the Asset Management and Services Agreement and is exposed to any operational risks that affect Aldar's ability to provide those services*".

Aldar Investments is dependent on a single large shopping mall for a significant proportion of its revenue from investment properties

Aldar Investments' investment properties include a range of retail establishments (including shopping malls), residential properties and offices for which it seeks to attract tenants. In 2018, 32.67 per cent. of Aldar Investments' revenue from investment properties was derived from Yas Mall, which opened in 2014. Yas Mall is a super regional mall with a gross leasable area ("**GLA**") of 221,000 m^2 and is the largest shopping mall in Abu Dhabi, based on GLA. As at 30 June 2019, 92 per cent. of the GLA in Yas Mall was leased. Aldar Investments faces the risk, however, that tenants, including, in particular, anchor tenants, in

Yas Mall may default or fail to renew their leases when they expire which could impact the revenue that it is able to generate from Yas Mall. In addition, Yas Mall could experience competition from other existing or future significant malls in Abu Dhabi or could be adversely impacted by other risks described below, including health and safety or catastrophe risks, any of which could adversely affect the amount of revenue generated by the mall in the future.

An increase in online shopping could reduce footfall at, and the demand from tenants for space in, Aldar Investments' shopping malls

A shift in demand from traditional physical stores towards online shopping represents a risk for Aldar Investments. In the UAE market, online retail sales currently make up a relatively low share of total demand, which is estimated at approximately 3 to 4 per cent. and to grow to around 8 per cent. by 2026 (source: Cistri). Markets like the United States and the United Kingdom have a higher penetration of online retail sales which has contributed to the decline of physical shopping centres. Many factors impact this trend, but Aldar Investments' strategy is to continually adjust the tenant mix to offer attractive stores and services (including, for example, a range of restaurants and other dining options, children's play zones and cinemas) as well as focus on shopping malls that remain attractive meeting places, with significant catchment areas and with easy transportation access. Nevertheless, if online shopping were to become more predominant in Abu Dhabi, this could materially adversely affect Aldar Investments' revenue from its retail investment properties.

The hotel industry is subject to certain general risks

Aldar Investments currently owns nine hotels and one serviced apartment building. These hotel properties are all managed by third party hotel operating companies. Aldar Investments' revenue from its hospitality and leisure business (which comprises the operation and management of its hospitality properties) contributed 28.97 per cent. of its total revenue in the first six months of 2019. The hotel industry depends on attracting guests and a number of factors, many of which are outside Aldar Investments' control, could negatively affect the number of guests staying at Aldar Investments' hotel properties. These include:

- the impact of wars or terrorist attacks in the MENA region, which could result in reduced numbers of visitors to Abu Dhabi;
- major travel impediments, such as airline strikes, border closures, extreme weather conditions, natural disasters, outbreaks of diseases and health concerns and rising fuel costs;
- adverse effects of international market conditions, which may reduce demand for business travel, or poor economic conditions in key source markets for visitors to Abu Dhabi;
- increased competition and periods of oversupply of hotel and guest accommodation in Abu Dhabi which may affect occupancy and room rates at Aldar Investments' hotel properties;
- increases in operating costs, for example due to inflation, utility costs, increased tax and insurance costs, and other factors;
- seasonality, particularly in the very hot summer months in Abu Dhabi; and
- changes in applicable regulations.

The performance of Aldar Investments' hotel properties depends in large part upon the performance of, reputation of and developments affecting the third party hotel management companies that manage its hotel properties

Aldar Investments' hotel properties are managed by third party hotel management companies pursuant to hotel management agreements. Under the terms of these agreements, the management companies control the daily operations of Aldar Investments' hotel properties. Although Aldar Investments monitors each management company's performance and has the right to review and object to the annual budget for each hotel property prepared by each such company, for many of its hotel properties it does not have the direct authority to require the property to be operated in a particular manner or to govern any particular aspect of the property's daily operations (for example, setting room rates or managing particular personnel). As a result, even if Aldar Investments believes that one or more of its hotel properties is being managed inefficiently, it may not be able to require the relevant management company to change its method of operation of the property concerned. In addition, should Aldar Investments wish to change a management company it may be unable to do so under the relevant management agreement or may need to pay substantial termination fees and may experience significant disruption at the hotel property concerned. The effectiveness of Aldar Investments' management companies in running its hotel properties will, therefore, significantly affect the revenue, expenses and value of those properties.

Because all of Aldar Investments' hotel properties are managed by third party hotel management companies, adverse publicity or other adverse developments that may affect these companies or their brands generally may also materially adversely affect Aldar Investments.

Aldar Investments' objectives may conflict from time to time with the objectives of one or more of its hotel management companies, which may adversely impact the operation and profitability of one or more of Aldar Investments' hotel properties

The hotel management companies which operate Aldar Investments' hotel properties and their affiliates have non-exclusive arrangements with Aldar Investments and own, operate or franchise properties other than Aldar Investments' properties, including properties that directly compete with Aldar Investments' hotel properties. Therefore, a management company may have different interests to Aldar Investments with respect to short-term or long-term goals and objectives, including interests relating to the brands under which the management company operates. Such differences may be significant depending on many factors, including the remaining term of Aldar Investments' management agreement, trade area restrictions with respect to competition by the management company or its affiliates, or differing policies, procedures or practices. Any of these factors may adversely affect the operation and profitability of one or more of Aldar Investments' hotel properties.

The insolvency of a hotel management company may adversely affect the operations of any Aldar Investments hotel property managed by it and Aldar Investments' ability to obtain revenue generated by that property

All revenue generated at Aldar Investments' hotel properties is deposited into accounts controlled by the management company which operates the relevant property and which pays operating and maintenance expenses for the relevant property in accordance with its management agreement. In the event of the insolvency of a hotel management company, there is a risk that payment of operating and other expenses for the hotel property or properties that it manages and payment of revenue to Aldar Investments may be delayed or otherwise impaired. In addition, many services such as international sales, maintenance of a centralised reservation system and other similar services, are performed for Aldar Investments' hotel properties on a centralised basis by its hotel management companies. As a result, the insolvency of a management company may significantly impair its ability to deliver such centralised services, which could significantly adversely affect the occupancy rates at the hotel properties managed by it, including any owned by Aldar Investments.

Aldar Investments may be unable to identify and complete acquisitions and successfully operate acquired properties

Aldar Investments continually evaluates the market for available properties and may acquire assets suitable for its portfolio when opportunities exist. For example, it acquired a significant portfolio of properties from Aldar with effect from 31 December 2018 and two further properties in the first six months of 2019, see "*Financial review—Principal factors affecting results of operations—Changes in the composition of Aldar Investments' portfolio of properties*". Aldar Investments' ability to acquire properties on favourable terms and successfully operate them involves significant risks, including:

- Aldar Investments may be unable to acquire a desired property because of competition from other market participants with more capital;
- even if Aldar Investments is able to acquire a desired property, competition from other market participants may significantly increase the purchase price of such property;
- Aldar Investments may be unable to realise the intended benefits from acquisitions or achieve anticipated operating or financial results;

- Aldar Investments may be unable to finance the acquisition on favourable terms or at all;
- Aldar Investments may underestimate the costs to make necessary improvements to acquired properties;
- Aldar Investments may be unable to quickly and efficiently integrate new acquisitions into its existing operations resulting in disruptions to its operations or the diversion of management's attention;
- Aldar Investments may not be able to access sufficient facilities and property management on favourable terms or at all; and
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates.

If Aldar Investments is unable to successfully acquire, redevelop and operate new properties, its ability to grow its business, compete and meet market expectations will be significantly impaired, which would adversely affect Aldar Investments' business model.

Aldar Investments may acquire new properties or sell existing properties which may expose it to unidentified liabilities

Aldar Investments may from time to time acquire new properties, including the properties described in the previous risk factor and the Aldar Properties Expected to be Acquired. These and any other property acquisitions that Aldar Investments may make in the future could expose it to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities. In addition, Aldar Investments may also from time to time dispose of certain properties that it owns, which could also expose it to certain risks. For example, in the first six months of 2019, Aldar Investments sold Al Murjan in a transaction with a value of AED 289 million, see "*Financial review—Principal factors affecting results of operations—Changes in the composition of Aldar Investments' portfolio of properties—Developments in the first six months of 2019*".

Although Aldar Investments intends to conduct due diligence in relation to each property acquisition, including, when considered appropriate, through expert appraisals of various aspects of the properties being acquired, this may not identify all issues relating to the properties concerned. In connection with each purchase, Aldar Investments intends to obtain representations and warranties from the seller about, and/or indemnities in respect of, the properties it acquires, although no assurance is given that it will, in all cases, be successful in any claim made against the seller in relation to any representations, warranties and indemnities obtained, including, for example, as a result of the seller becoming insolvent. Aldar Investments may also become involved in disputes or litigation concerning any representations, warranties and indemnities that it has obtained, which may be costly and time consuming to pursue. In addition, if the seller is Aldar this may cause additional difficulties should any defects in properties sold subsequently be identified, as the parties involved in trying to resolve the issue may have significant conflicting interests.

In connection with any property sale, Aldar Investments expects to be required to give representations and warranties about, and/or to give indemnities in respect of, the property sold and to be liable to pay damages to the extent that any representations or warranties turn out to be inaccurate and/or claims are made under the indemnities. Aldar Investments may become involved in disputes or litigation concerning any representations, warranties and indemnities that it gives and may be required to make payments to third parties as a result of any dispute or litigation if it is unable to successfully defend the relevant claims. If Aldar Investments does not have cash available to conduct litigation or to make any required payments, it may be required to borrow funds. If it is unable to borrow funds to make any required payments, it may be forced to sell further assets to obtain funds. No assurance can be given that any such sales could be effected on satisfactory terms or at all.

Aldar Investments' capital expenditure and other maintenance costs in relation to its properties may be higher than expected

Aldar Investments must maintain or improve the condition of its properties in order for them to remain desirable to tenants and to generate revenue over the long term. For example, in the first six months of 2019 it completed the renovation and expansion of Al Jimi Mall, see "*Financial review—Principal factors affecting results of operations—Changes in the composition of Aldar Investments' portfolio of properties—*

Developments in the first six months of 2019". Further, maintaining or improving the condition of Aldar Investments' properties is essential to capturing the rental value uplift of any increase in market demand. Maintaining a rental property to market standards can entail significant costs.

Under an asset management and services agreement (the "**Asset Management and Services Agreement**") between Aldar Investments and Aldar, all maintenance and refurbishment work in respect of Aldar Investments' properties is managed by Aldar. Aldar Investments' future maintenance and capital expenditures may exceed its budget as a result of cost increases due to unforeseen circumstances, including shortages of and price inflation in respect of materials, equipment and labour, adverse weather conditions, accidents and unexpected delays. None of these events happened in relation to the Al Jimi Mall extension project. In addition, numerous other factors, such as the age of the relevant building structure could also result in Aldar Investments incurring substantial maintenance costs.

Any of these circumstances could negatively affect the ability of Aldar or any other contractor to complete maintenance or refurbishment projects on schedule or within the estimated budget, and even if the contractors are successful in doing so, Aldar Investments may not be able to recoup its investments. Any failure by Aldar Investments to undertake appropriate maintenance and refurbishment work could adversely affect the rental revenue earned from the affected property.

Aldar Investments' properties, including its retail and hospitality properties in particular, could be negatively affected by any factors which reduce the number of visitors to Abu Dhabi and the UAE

A significant proportion of the guests in Aldar Investments' hotels and the shoppers in its major shopping mall are visitors to Abu Dhabi and the UAE. Accordingly, any factors which reduce the number of visitors to Abu Dhabi and the UAE could have a material adverse effect on Aldar Investments. These factors include:

- the continued attractiveness of Abu Dhabi and the UAE as a tourist destination, which could be negatively affected by a number of factors, including, for example, the imposition of onerous visa requirements or negative political developments in the region;
- the effectiveness of government and other marketing campaigns and initiatives targeting international visitors;
- the timely execution and delivery of planned hotel growth in Abu Dhabi and the UAE more generally as well as planned enhancements in other tourism-related infrastructure, such as announced airport expansion programmes in both Abu Dhabi and Dubai and related fleet increases in the major carriers based at those airports;
- the extent to which other cities in the region choose to undertake significant development with the aim of capturing a larger share of tourist traffic;
- significant increases in the cost of air travel, for example as a result of increased oil prices or increased taxes on airlines, or other factors which negatively impact air travel such as natural disasters like the Icelandic volcanic eruption in 2010, safety concerns following major incidents and prolonged airport or air traffic control strikes; and
- factors that may adversely affect tourist visits to the region as a whole or more generally, such as political or social instability, global economic conditions, terrorist attacks or natural catastrophes.

Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid

Real estate assets are inherently difficult to value. As a result, valuations are subject to substantial uncertainty and subjective judgements, and are made on the basis of assumptions which may not be correct. There can be no assurance that any sale by Aldar Investments of any of its investment or hospitality properties in the future will be at a price which reflects the most recent valuation of the relevant property, particularly if Aldar Investments sold the property in adverse economic conditions. In addition, the real estate market is affected by many factors, such as general economic conditions, supply and demand and other factors, that are beyond Aldar Investments' control and may materially adversely impact the fair value of its properties after their most recent valuation date. Because real estate investments in general are relatively illiquid, Aldar Investments' ability to promptly sell one or more of its properties in response to changing conditions is limited.

Aldar Investments' historic financial results have been significantly influenced by changes in the fair value of its investment and hospitality properties. Any gains or losses arising from changes in the fair value of Aldar Investments' properties are required to be included in Aldar Investments' income statement for the period in which they arise. In each of 2016, 2017 and 2018 and in the six months ended 30 June 2019, Aldar Investments recorded net fair value losses on investment properties of AED 127 million, AED 459 million, AED 670 million and AED 41 million, respectively, principally reflecting adverse market conditions. As described in note 4.2 to the 2018 Financial Statements, determining the fair value of Aldar Investments' properties is a key source of estimation uncertainty. There is no assurance that Aldar Investments will not continue to experience significant fair valuation losses in respect of its properties in future periods, see "—*The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

RISKS RELATING TO ALDAR INVESTMENTS GENERALLY

Aldar Investments' business may require external financing which may be difficult or expensive to obtain

Aldar Investments anticipates that it may have material funding needs in relation to particular property acquisitions in the future or to refinance existing indebtedness. Aldar Investments aims to finance its future property acquisitions and its financial obligations (including its obligation to make payments in respect of the Certificates) through internally-generated cash flow, including from the sale of existing properties (when appropriate opportunities arise and the divestment fits Aldar Investments' strategy), available cash and liquidity and financing provided by Aldar and third parties.

Aldar Investments' ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and market conditions, international and domestic interest rates, credit availability from banks or other financiers, investor confidence in Aldar Investments and the success of Aldar Investments' business. At times in the last two decades, global credit markets have experienced difficult conditions, including reduced liquidity, greater volatility, widening of credit spreads, liquidity and solvency concerns at both regional and international banks leading to significant government intervention and financial support, and decreased availability of funding generally. Any recurrence of these conditions could make it difficult or significantly more expensive for Aldar Investments to obtain additional financing, either on a short-term or long-term basis, to fund developments or to repay existing financing. In the event that appropriate sources of financing are not available or are only available on onerous terms and Aldar Investments does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect Aldar Investments' business through increased borrowing costs and reductions in necessary property maintenance expenditure. In addition, Aldar Investments may be forced, amongst other measures, to do one or more of the following:

- forgo business opportunities, including attractive property acquisitions;
- delay or reduce capital expenditures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

None of Aldar Investments' borrowings are guaranteed by Aldar and Aldar Investments does not expect that any of its future borrowings will be guaranteed by Aldar. The assets secured against certain of Aldar Investments' borrowings had a total value of AED 3.8 billion as at 30 June 2019. Aldar Investments' ability to raise further secured debt on competitive terms depends on the availability of suitable assets to secure.

In addition, certain of Aldar Investments' borrowings contain covenants that require it to maintain a minimum level of tangible net worth and a minimum level of collateral value and any material increase in Aldar Investments' borrowings could make it harder for Aldar Investments to comply with those covenants which could, therefore, restrict Aldar Investments' ability to borrow in the future.

Aldar Investments could be adversely affected if its leverage increases significantly

As at 30 June 2019, Aldar Investments' total assets reported in the Interim Financial Statements were AED 20,710 million. As at the same date, Aldar Investments' total borrowings reported in the Interim Financial Statements were AED 4,130 million excluding the corporate loan from the ultimate parent. To the extent that Aldar Investments' debt increases significantly in the future, its leverage could:

- require a substantial portion of Aldar Investments' cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;
- expose Aldar Investments to the risk of increased interest rates with respect to its borrowings at variable rates of interest;
- limit Aldar Investments' ability to react to changes in Abu Dhabi's economy or real estate market;
- limit Aldar Investments' ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes; and
- increase the likelihood of failure to meet all of its debt obligations.

The terms of certain of Aldar Investments' indebtedness contain financial covenants, which may limit Aldar Investments' operating flexibility

Aldar Investments has significant indebtedness outstanding and the terms of certain of that indebtedness contain financial covenants, including a covenant to maintain consolidated tangible net worth and collateral value above a defined level. Any future debt assumed by Aldar Investments may contain similar or additional financial or restrictive covenants.

Should Aldar Investments need, in the future, to renegotiate any financial or restrictive covenants or obtain a waiver in respect of any breach of such a covenant, no assurance can be given that it will be successful. Any failure to renegotiate such covenants could restrict Aldar Investments' ability to raise financing in the future. In addition, any breach of such covenants which is not waived by the relevant lender could result in the relevant financing being accelerated and potentially trigger cross default provisions under Aldar Investments' other financing arrangements. In such a case, Aldar Investments' liquidity and financial position could be materially adversely affected.

Aldar Investments' credit ratings may change and any ratings downgrade could make it more expensive for Aldar Investments to obtain new financing and adversely affect the value of Certificates

Aldar Investments has a rating of Baa1 (with a stable outlook) from Moody's.

Aldar Investments cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to Aldar Investments by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Certificates and cause trading in the Certificates to be volatile.

Aldar Investments faces significant competition and may be unable to lease vacant space, renew existing leases or re-lease space as leases expire

Aldar Investments competes with numerous developers, owners and operators of real estate in Abu Dhabi and the UAE, many of which own properties similar to Aldar Investments' in the same markets, as well as various other public and privately held companies that may provide residential, retail and commercial leasing space. In addition, Aldar Investments may face competition from new entrants into the real estate market. Some of Aldar Investments' competitors may have significant advantages over Aldar Investments, including greater brand recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, and access to less expensive facilities and property management. These advantages could allow Aldar Investments' competitors to respond more quickly to strategic opportunities or market changes. If Aldar Investments' competitors offer properties that Aldar Investments' existing or potential customers perceive to be superior to Aldar Investments', or if Aldar Investments' competitors offer rental rates below those offered by Aldar Investments or current market rates, Aldar Investments may lose existing or potential customers, incur costs to improve its properties or be forced to reduce its rental rates.

In addition, Aldar Investments is also subject to competition in relation to its hospitality properties, where Aldar Investments competes with entities that may have more resources and/or expertise than it, particularly in relation to attracting hotel management companies. To the extent that Aldar Investments is unable to compete effectively in relation to its investment properties or operating businesses, its revenues and profitability from the relevant business may be adversely affected.

Significant judgment was exercised in the preparation of the 2018 Financial Statements and the Carve-Out Financial Statements and Aldar Investments' future results of operations and financial position may be materially different from those indicated in the Carve-Out Financial Statements and the 2018 Financial Statements

The Carve-Out Financial Statements were prepared on a carve-out basis from Aldar's financial statements for the years ended 31 December in each of 2017, 2016 and 2015 by extracting the financial information relating to Aldar's asset management business, which represented the investment properties and hospitality assets that were transferred to Aldar Investments. Reflecting the fact that the transfer of the asset management business to Aldar Investments was not completed until mid-2018, the 2018 Financial Statements and the comparative financial information for the six months ended 30 June 2018 presented in the Interim Financial Statements also in part reflect financial information relating to Aldar's asset management business.

The principal purpose of the Carve-Out Financial Statements was to present the historical operations of the assets that were transferred by Aldar to Aldar Investments and to reflect all of the income generated from those assets as well as the costs of doing business associated with those assets. Significant judgment was used, based on the purpose for which the Carve-Out Financial Statements were prepared, to ensure that they met the objective of providing useful information, particularly as IFRS does not provide any specific guidance on their preparation. See, for example, note 3.1 to the Carve-Out Financial Statements and note 2.2 to the 2018 Financial Statements.

The Carve-Out Financial Statements and the 2018 Financial Statements should not, however, be relied on by investors as an indicator of Aldar Investments' future business results and financial position. In particular, although all of the assets and the majority of the liabilities included in the Carve-Out Financial Statements were transferred to Aldar Investments, a significant proportion of the borrowings shown in the Carve-Out Financial Statements as at 31 December 2017 were not transferred. However, potential investors should also note that, in order to achieve its target leverage, Aldar Investments has entered into and expects to continue to enter into new borrowings, including the proposed issue of the Certificates. As at 30 June 2019, Aldar Investments had total committed credit facilities of AED 5.3 billion which are fully drawn. As at the same date, Aldar Investments had AED 1.8 billion in sukuk certificates outstanding.

In addition, certain expenses (including staff costs, selling and marketing expenses and general and administrative expenses) associated with Aldar's asset management business but borne by Aldar were allocated in the Carve-Out Financial Statements and in the 2018 Financial Statements for the six-month period ended 30 June 2018. These represent certain corporate and shared service functions historically provided by Aldar including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing and other shared services. The allocation was made on the basis of direct usage when identifiable and otherwise on a *pro rata* basis of consolidated sales and staff cost representing a reasonable reflection of the historical utilisation levels of the services. Since 1 July 2018, this allocation has ceased and instead Aldar Investments has paid a management fee to Aldar in respect of the properties managed by Aldar on Aldar Investments' behalf.

In addition, Aldar Investments acquired a significant portfolio of properties from Aldar with effect from 31 December 2018, see "*Financial review—Principal factors affecting results of operations—Changes in the composition of Aldar Investments' portfolio of properties—Developments in 2018*". As a result, revenue and profit attributable to these properties in 2018 is not reflected in the 2018 Financial Statements.

In addition, on 30 June 2019, Aldar Investments acquired, from Aldar, Etihad Plaza and Etihad Airways Centre. See —"*Changes in the composition of Aldar Investments' portfolio of properties*" below. The revenue and profit attributable to these properties is not reflected in the financial information as at and for the six months ended 30 June 2019 in the Interim Financial Statements.

Reflecting the factors above, the Carve-Out Financial Statements and the 2018 Financial Statements are not, and should not be treated as, an indicator of Aldar Investments' likely future results. Although the financial information as at and for the six months ended 30 June 2019 in the Interim Financial Statements relates solely to Aldar Investments, interim financial information may not necessarily be a reliable indicator of results for the full year to which they relate.

Aldar Investments depends on the services to be provided by Aldar under the Asset Management and Services Agreement and is exposed to any operational risks that affect Aldar's ability to provide those services

Aldar Investments has no employees of its own. Under the Asset Management and Services Agreement, Aldar will provide Aldar Investments with all the asset management and operational services that Aldar Investments needs to carry on its business. As a result, Aldar Investments is dependent upon Aldar's ability to retain and recruit the necessary personnel to provide the services required by Aldar Investments. Competition for qualified personnel is strong in Aldar Investments' markets and Aldar Investments faces the risk of Aldar losing employees to competitors who are able to offer more competitive compensation packages and being unable to find replacements in a timely manner.

Aldar Investments' business could be adversely affected if Aldar loses the services and contributions of some of the skilled personnel that are assigned to Aldar Investments and is unable to adequately replace them.

Aldar Investments is also subject to any operational risks that affect Aldar's ability to provide services to it under the Asset Management and Services Agreement. Operational risk and losses can result from fraud and errors by Aldar's employees, failure to comply with regulatory requirements and equipment failures. In particular all of Aldar Investments' information technology ("**IT**") requirements are provided by Aldar. The proper functioning of these IT systems is critical to Aldar Investments' business and ability to compete effectively. Aldar Investments' business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems. Such failures can be caused by a variety of factors, all of which are wholly or partially outside Aldar Investments' control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. Aldar Investments is not in a position to protect itself against these risks and is wholly reliant on Aldar's operational risk controls and loss mitigation strategies. Losses from any failure of Aldar's system of internal controls could have a material adverse effect on Aldar Investments' business generally and its reputation.

Aldar's employees could engage in misrepresentation, misconduct or improper practice that could expose Aldar Investments to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling Aldar Investments' clients' funds, engaging in corrupt or illegal practices, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It will not always be possible for Aldar Investments to detect or prevent these types of misconduct, and the precautions which Aldar and Aldar Investments take to detect and prevent such misconduct may not be effective in all cases. Any such actions by Aldar's employees could expose Aldar Investments to financial losses resulting from the need to reimburse clients who suffered loss or as a result of fines or other regulatory sanctions, and could damage Aldar Investments' reputation.

The interests of Aldar may not be always be the same as those of the holders of the Certificates

Aldar Investments is 100 per cent. directly and indirectly owned by Aldar. By virtue of its shareholding, Aldar has the ability to influence Aldar Investments' business through its ability to control actions that require shareholder approval and Aldar also has the power to control the election of all members of Aldar Investments' board of directors (the "**Board**"). Aldar is also a significant provider of funding to Aldar Investments, having provided a revolving facility of up to AED 3 billion to Aldar Investments.

The interests of Aldar may be different from those of the Certificateholders. Aldar Investments' dividend policy is to distribute between 65 and 80 per cent. of its distributable free cash flow to shareholders. Distributable free cash flow is defined as cash after deducting interest expense, maintenance costs and other overhead items. However, there is no assurance that this dividend policy will not be altered at any time when the Certificates are outstanding and any such alteration may reduce Aldar Investments' ability to make timely and full payments under the Transaction Documents.

Any transactions entered into between Aldar Investments and Aldar, including any sale by Aldar to Aldar Investments of the Aldar Properties Expected to be Acquired, will be related party transactions. Although Aldar Investments intends to conduct such transactions subject to normal commercial negotiation as to terms, no assurance can be given that Aldar Investments would not obtain more favourable terms from transactions with third parties. In addition, it is possible that Aldar Investments may, in the future, be influenced in its decision to acquire a property from Aldar by virtue of its relationship with Aldar.

Aldar Investments may not have adequate insurance

All of Aldar Investments' insurance is arranged by Aldar under the Asset Management and Services Agreement. Although Aldar Investments, through Aldar, seeks to ensure that its investment properties and operating businesses are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms or at all. In addition, Aldar Investments' properties and businesses could suffer physical damage from fire or other causes, resulting in losses (including loss of rent) that may not be fully compensated by insurance. Further, certain types of risks and losses (for example, losses resulting from acts of war or certain natural disasters) are not economically insurable or generally insured. If an uninsured or uninsurable loss were to occur or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, Aldar Investments' business could be materially adversely affected.

Where an insured against event occurs, there is no certainty that any proceeds of insurance received will fully cover the loss experienced by Aldar Investments. Aldar Investments' insurance policies may be subject to deductibles or exclusions that could materially reduce the amount recoverable by Aldar Investments and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, Aldar Investments' insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

Legal and regulatory systems may create an uncertain environment for investment and business activities

The UAE may experience changes in its economy and government policies (including, without limitation, policies relating to property and contractual rights) that may have a material adverse affect on Aldar Investments' business.

Aldar Investments is subject to laws relating to the ownership, sale and leasing of real estate in the UAE. Such laws are subject to change and the manner in which those laws and related regulations are applied to Aldar Investments is still evolving. Aldar Investments may not adapt, forecast or position itself to successfully operate in any new regulatory environment and any such failure may have a material adverse effect on it.

In addition, certain of Aldar Investments' operations (for example, its hotels and shopping malls) are subject to a range of additional laws and regulations, both at the Abu Dhabi and UAE level, and require the maintenance and renewal of commercial licences and permits. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with applicable licensing regimes, there is no assurance that Aldar Investments will at all times be in compliance with all of the requirements imposed on each of its businesses and properties, although it is not aware of any material breaches that currently exist. Any failure by Aldar Investments to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of its licences and/or increased regulatory scrutiny, and liability for damages. In certain cases, Aldar Investments could also be forced to suspend operations until it obtains required approvals, certifications, permits or licences or otherwise brings its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of Aldar Investments' shopping malls and hospitality properties, could have a material adverse effect on it.

No assurance can be given that the UAE or Abu Dhabi governments will not implement new laws or regulations relating to Aldar Investments' business or adopt fiscal or monetary policies, including those relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on Aldar Investments. For example, in December 2016, the Abu Dhabi government reintroduced a 5 per cent. cap on residential rent increases.

Aldar Investments is exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in interest rates and the risk that the existing U.S. dollar/dirham peg is terminated or altered in a manner that adversely impacts Aldar Investments

Aldar Investments' principal interest rate risk is its exposure to the effect of increases in interest rates on its outstanding borrowings. Aldar Investments seeks to manage this risk through borrowing at fixed rates and the use of interest rate derivative contracts in relation to floating rate borrowings where considered appropriate. There is no assurance that Aldar Investments will be successful in this and the use of derivative instruments carries additional risks, including the potential to negatively impact Aldar Investments' statement of comprehensive income and the credit risk on the derivative counterparty.

Aldar Investments' principal foreign currency risk is the impact that any termination or negative adjustment of the existing U.S. dollar/dirham peg would have on its borrowings denominated in U.S. dollars.

In addition, Aldar Investments is subject to a range of credit risks, particularly in relation to its trade and other receivables and its cash and cash equivalent balances with financial institutions, and to liquidity risk, which is the risk that it will not be able to pay its liabilities as they fall due. In the six months ended 30 June 2019, 39.92 per cent. of Aldar Investments' trade receivables were impaired compared to 39.29 per cent. in 2018, 22.08 per cent. at 31 December 2017 and 17.25 per cent. as at 31 December 2016, illustrating increasing credit risk principally driven by weak economic and real estate market conditions in Abu Dhabi.

RISKS RELATING TO ABU DHABI AND THE UAE

Aldar Investments is subject to economic and political conditions in Abu Dhabi and the UAE

All of Aldar Investments' current operations and assets are located in Abu Dhabi. Aldar Investments' results of operations are, and will continue to be, generally affected by economic and political developments in or affecting Abu Dhabi and the UAE and, in particular, by the level of economic activity in Abu Dhabi and the UAE. A general downturn or instability in certain sectors of the Abu Dhabi or UAE economies, or in the regional economy generally, could have an adverse effect on Aldar Investments, see "*—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

Moreover, while the UAE and Abu Dhabi governments' policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. No assurance can be given that the UAE or Abu Dhabi government will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to profit rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls which could have a material adverse effect on Aldar Investments.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Iran, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict, civil war and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. The MENA region is currently subject to a number of armed conflicts including those in Yemen (in which the UAE armed forces, along with a number of other Arab states, are involved), Syria and Iraq as well as the multinational conflict with Islamic State. In June 2017, Saudi Arabia, the UAE, Bahrain, Egypt and Yemen severed diplomatic relations with Qatar, citing Qatar's alleged support for terrorism and the Qatari violation of a 2014 agreement with the other members of the GCC. The termination of diplomatic relations has included the withdrawal of ambassadors, the imposition of travel bans and the closure of airspace, territorial waters and, in the case of Saudi Arabia only, the closure of its land border with Qatar.

Although the UAE has not experienced terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not target the UAE. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that Aldar Investments would be able to sustain the operation of its business if adverse political events or circumstances were to occur. Investors should also note that Aldar Investments' business and financial performance could be adversely affected by regional geo-political events that prevent it from delivering its services.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Abu Dhabi and the UAE and, in particular, could impact the numbers of tourists that choose to visit Abu Dhabi and the UAE and the number of businesses interested in doing business in Abu Dhabi and the UAE and, consequently, could have a material adverse effect on Aldar Investments.

The UAE's economy is dependent upon its oil revenue

The UAE's economy, and the economy of Abu Dhabi in particular, is dependent upon oil revenue. The hydrocarbon sector accounted for approximately 31.7 per cent. of Abu Dhabi's nominal GDP in 2016, 34.1 per cent. in 2017 and (according to preliminary estimates published by the SCAD) 40.4 per cent. in 2018. Abu Dhabi's economy has in the past been adversely affected by periods of low international oil prices, including in 2015 and 2016 when its nominal GDP fell by 18.9 per cent. and 2.3 per cent., respectively. Reflecting continuing difficult economic conditions, Abu Dhabi's real GDP (which excludes the impact of hydrocarbon prices) fell by 0.9 per cent. in 2017 and grew by only 1.9 per cent. in 2018.

Hydrocarbon prices are expected to continue to fluctuate in the future in response to changes in many factors over which Aldar Investments has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for hydrocarbon products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude hydrocarbon producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Declines in international prices for hydrocarbon products in the future could therefore adversely affect Abu Dhabi's and the UAE's economies which, in turn and particularly if Abu Dhabi's real estate market is also adversely affected, could have a material adverse effect on Aldar Investments. See "*—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*" above.

Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries

Investing in securities involving emerging markets countries, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. In the case of the UAE, these higher risks include those discussed above. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in emerging markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such an effect were to occur, the trading price of the Certificates could be adversely affected by negative economic or financial developments in other emerging market countries over which the UAE government has no control.

In addition, the economies of emerging markets are more susceptible to influence by macroeconomic policy decisions of developed countries than other more developed markets. In particular, emerging market economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future.

As a consequence, an investment in the Certificates carries risks that are not typically associated with investing in securities issued by issuers in more mature markets. These risks may be compounded by any incomplete, unreliable or unavailable economic and statistical data on the UAE, including elements of information provided in this Prospectus. Prospective investors should also note that emerging economies, such as the UAE's, are subject to rapid change and that the information set out in this Prospectus may become out-dated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

RISKS RELATING TO THE CERTIFICATES

The Certificates are limited recourse obligations and investors may not be able to seek full recourse for failure to make payments due on the Certificates

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent undivided ownership interests solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on such Certificates. Upon the occurrence of a Dissolution Event, the sole right of each of the Trustee and the Delegate (acting on behalf of the Certificateholders) will be against the Obligor to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) the Obligor in respect of any shortfall in the expected amounts due under the Trust Assets. The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee. The Trustee and the Delegate will have direct recourse against the Obligor to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 6.2, the Declaration of Trust and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee, the Delegate nor any Certificateholder may take any further steps against the Trustee or the Obligor to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Furthermore, under no circumstances shall any Certificateholder, the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee, the Delegate and the Certificateholders against the Obligor shall be to enforce the obligation of the Obligor to perform its obligations under such Transaction Documents to which it is a party.

There can be no assurance that a secondary market for the Certificates will develop

There is no assurance that a market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. In addition, liquidity may be limited if large allocations of the Certificates are made. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield.

Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade

The minimum denomination of the Certificates is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.$200,000 would need to purchase a face amount of Certificates such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Admission to listing and trading on the regulated market of Euronext Dublin and/or the ADX cannot be assured

The Trustee and the Obligor have applied for the Certificates to be admitted to listing with Euronext Dublin and on the ADX and to trading on the regulated market of Euronext Dublin. However, prospective investors should note that there can be no assurance that such admission to listing and trading will occur or, if it occurs, can be maintained. The absence of admission to listing and trading on the regulated market of Euronext Dublin and/or the ADX, or a delisting of the Certificates from such markets, may have an adverse effect on a Certificateholder's ability to hold, or resell, the Certificates.

The Certificates may be subject to early redemption and Make Whole Amounts may not be sufficient when they are payable

The Certificates may be redeemed prior to the Scheduled Dissolution Date if: (i) the Trustee has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document to which it is a party; or (ii) the Obligor has or will become obliged to pay additional amounts pursuant to any Transaction Document to which it is a party, in each case: (x) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the UAE or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (y) such obligation cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it.

The Certificates may also be redeemed prior to the Scheduled Dissolution Date for the following reasons: (i) redemption in whole (but not in part) following the occurrence of a Dissolution Event; (ii) redemption (in whole or, as applicable, in part) following the occurrence of a Change of Control Event; (iii) redemption in whole (but not in part) at the option of the Obligor; (iv) redemption in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee; or (v) redemption in whole (but not in part) following the occurrence of a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) (each as defined in the Conditions).

If the Certificates are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Moreover, where a Make Whole Amount is included in the calculation of relevant redemption amounts due and payable, such Make Whole Amount may not be sufficient to cover the difference between the yield which the Certificateholders would expect to receive if they held the Certificates until the Scheduled Dissolution Date and any alternative investment which the Certificateholders may make at the time of redemption with the proceeds of such redemption.

The Certificateholders may be subject to exchange rate risks and exchange controls

The Trustee will pay amounts due on the Certificates in U.S. dollars and the Obligor will make payments pursuant to the Transaction Documents to which it is a party in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the "**Investor's Currency**"), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Investor's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Investor's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Investor's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

The Conditions, the Declaration of Trust and the other Transaction Documents contain provisions which may permit their modification without the consent of all investors and in certain limited circumstances without the consent of any Certificateholders and without regard to the individual interests of particular Certificateholders

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The conditions of the Certificates and the Declaration of Trust also provide that the Delegate may (but shall not be obliged to), without the consent or sanction of the Certificateholders: (i) agree to any modification to the Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of the Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-quarter of the outstanding aggregate face amount of the Certificates.

There can be no assurance that the Certificates will be Shari'a compliant

Each of the Executive Committee of the *Shari'a* Board of Dubai Islamic Bank and Dar al Sharia, the Shariah Supervisory Board of First Abu Dhabi Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank has reviewed the Transaction Documents and confirmed that the Certificates are, in their view, Shari'a compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a committees or Shari'a scholars and therefore potential investors should not rely on the pronouncements of the *Shari'a* advisors in deciding whether to make an investment in the Certificates. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Transaction Documents or the Certificates and/or any trading thereof. Potential investors should obtain their own independent Shari'a advice as to whether the Transaction Documents and the Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari'a permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that, pursuant to the terms of the Transaction Documents (other than the Purchase Agreement), the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"). The Obligor has also agreed under the Transaction Documents to which it is a party (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement) to submit to the jurisdiction of the courts of England at the option of the Trustee or the Delegate. In such circumstances, the arbitrator or judge, as the case may be, will apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Obligor, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Credit ratings may not reflect all risks

The Certificates are expected to be assigned a rating of Baa1 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings of the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. In addition, real or anticipated changes in the ratings of the Certificates could negatively affect the market value of the Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the front page of this Prospectus.

RISKS RELATING TO THE WAKALA ASSETS

Ownership over the Wakala Assets

In order to comply with the requirements of Shari'a, an ownership interest in the Usufruct over: (a) the Wakala Assets comprising the Initial Wakala Portfolio will pass to the Trustee under the Purchase Agreement; and (b) if applicable, any new Wakala Assets which become part of the Wakala Portfolio from time to time, will pass to the Trustee under the relevant Supplemental Purchase Agreement or the Sale Agreement, as the case may be. The Trustee will declare a trust in respect of the Usufruct over the relevant Wakala Assets and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will, through the ownership interest of the Trustee, have an ownership interest in the Usufruct over the Wakala Assets unless the transfer of the Usufruct over the Wakala Assets is prohibited by, or ineffective under, any applicable law (see "— *Risks relating to the Usufruct*").

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Obligor, and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from the Obligor in respect of the Wakala Assets. In particular, the precise terms of the Wakala Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the Obligor to give effect to the transfer of the Usufruct over the Wakala Assets). No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Usufruct over the Wakala Assets with any relevant regulatory authority in the UAE or otherwise give notice to any lessee in respect thereof.

Risks relating to the Usufruct

Pursuant to the Purchase Agreement (or, as applicable, any Supplemental Purchase Agreement), the Obligor (in its capacity as Seller) shall sell and the Trustee (in its capacity as Purchaser) will purchase the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio (or, as applicable, the Additional Wakala Assets (as defined in the Purchase Agreement)) in return for the payment by the Trustee of the Purchase Price (as defined in the Purchase Agreement or, as applicable, the relevant Supplemental Purchase Agreement).

Under Abu Dhabi law, a right in rem in any property (such as a Usufruct over the Wakala Assets as described above) is only created once registration in the land register at the Abu Dhabi Land Department has been completed. It should be noted, however, that there is no intention for the Trustee or the Obligor to register the Usufruct over the Wakala Assets at the Land Registration Department of the Abu Dhabi Municipality. Consequently, although the sale and purchase and grant of the Usufruct over the Wakala Assets will be effective between the Obligor and the Trustee insofar as their respective contractual obligations are concerned (notwithstanding any lack of registration), such sale and purchase and grant shall not be effective as against third parties.

If a legal action is brought seeking to question the validity or enforceability of a usufruct for lack of registration in the courts of Abu Dhabi, there can be no assurance that an Abu Dhabi court would recognise the validity of the sale and purchase and grant of the Usufruct over the Wakala Assets either as between the parties or as against the rights of third parties.

Upon any Dissolution Event, the Certificateholders will not have any rights of enforcement as against the particular Usufruct over the Wakala Assets comprised within the Wakala Portfolio. Their rights are limited to: (i) in circumstances where the Delegate, having become bound so to direct the Trustee to proceed against the Obligor, fails to do so within a reasonable period of becoming so bound and such failure is continuing, to itself direct the Trustee to enforce the Obligor's obligation to purchase the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets pursuant to the terms of the Purchase Undertaking; and (ii) upon any failure to comply with the Obligor's obligations under the Transaction Documents as described in this Prospectus, a *pro rata* share of the proceeds of the enforcement thereof. Accordingly, any such restriction on the ability of the Obligor to perfect the sale of the Usufruct over the Wakala Assets to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

Notwithstanding the above, if the Obligor or a liquidator of the Obligor disclaims or repudiates any of its obligations under the Transaction Documents to which the Obligor is a party (including without limitation in respect of its obligations relating to the sale of the Usufruct over the Wakala Assets and/or purchase of the remaining Usufruct Term of the Usufruct over the Wakala Assets), this will constitute a Dissolution Event under the Conditions which will enable the Trustee to exercise its rights under the Purchase Undertaking in accordance with Condition 14 (*Dissolution Events*). In such case, the Obligor will be obliged under the terms of the Purchase Undertaking to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets from, and pay the Exercise Price to, the Trustee and the Certificates shall become immediately due and payable at their Dissolution Distribution Amount.

By way of further assurance, the Obligor has covenanted and undertaken in each of the Purchase Undertaking and the Declaration of Trust, respectively, that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price) (see "*Summary of the Principal Transaction Documents — Purchase Undertaking*" and "*Summary of the Principal Transaction Documents — Declaration of Trust*").

RISKS RELATING TO ENFORCEMENT

There may be limitations on the enforcement of arbitral awards and foreign judgments in the Emirate of Abu Dhabi

The payments under the Certificates are dependent upon the Obligor making payments in the manner contemplated under the Transaction Documents to which it is a party. If the Obligor fails to do so, it may be necessary for an investor to bring an action against the Obligor to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Obligor has agreed that certain of the Transaction Documents to which it is a party are governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration under the LCIA Rules with an arbitral tribunal with its seat in London. Under the Conditions, any disputes arising from the Conditions or any non-contractual obligations arising out of or in connection with them may be referred to arbitration in London under the LCIA Rules. Under the Conditions and certain of the Transaction Documents, at the option of the Trustee or the Delegate (as applicable), any dispute may also be referred to the courts of England (or such other court of competent jurisdiction which the Trustee or Delegate (as applicable) may elect). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Obligor has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards. Article 86 of Cabinet Resolution No. (57) of 2018 Concerning the Executive Regulations of the Civil Procedure Law ("**Cabinet Resolution 57 of 2018**") states that Article 85 applies to foreign arbitration awards, although Article 88 states that Articles 85 to 87 do not prejudice the provision of treaties and agreements entered into by the UAE with other States (which includes the New York Convention). Under Article 85 of Cabinet Resolution 57 of 2018, a judgment or order of a non-UAE court may be enforced by the UAE courts without further consideration of the merits of the case if, amongst other considerations, there is reciprocity of enforcement between the UAE and the country in which the non-UAE judgment or order has been granted. If the UAE courts decide to apply Article 86 of Cabinet Resolution 57 of 2018 in any action to enforce a foreign arbitration award in the UAE, it is likely that a foreign arbitration award would be refused enforcement.

Waivers of immunity may not be effective under UAE law

Under the Transaction Documents, the Obligor has acknowledged that the transactions contemplated by the Transaction Documents are commercial transactions and, to the extent that the Obligor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes (as defined in the Conditions). In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

However, there can be no assurance as to whether such waivers of immunity given by the Obligor under the Transaction Documents are valid and binding under the laws of the Emirate of Abu Dhabi and, to the extent applicable therein, the federal laws of the UAE.

Compliance with UAE bankruptcy law may affect the Obligor's ability to perform its obligations under the Transaction Documents

In the event of the Obligor's insolvency, UAE bankruptcy law may adversely affect the Obligor's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, may adversely affect the Trustee's ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders, the Trustee and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

Considerations relating to the non-recognition of trusts under the laws of the UAE

UAE law does not recognise the concept of trust or beneficial interests. Accordingly, if a UAE court were to consider the merits of a claim in respect of the Declaration of Trust and any Supplemental Declaration of Trust and apply UAE law principles in doing so, there is no certainty that all of the terms of the Declaration of Trust or any Supplemental Declaration of Trust (each of which is governed by English law) would be enforced by the UAE courts and the trust arrangements set out therein may be recharacterised as an agency arrangement by the UAE courts.

A court may not grant an order for specific performance

If the Obligor fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include: (i) obtaining an order for specific performance of the Obligor's obligations; or (ii) a claim for damages.

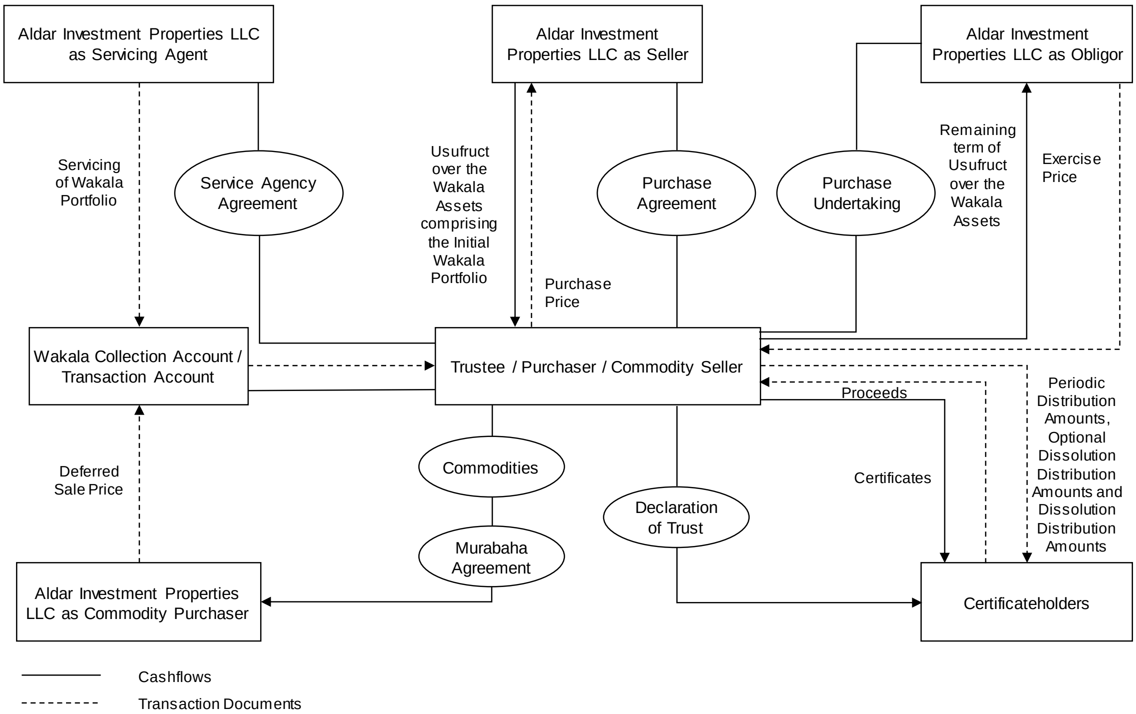
There is no assurance that a court will provide an order for specific performance, which is a discretionary matter. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award if the Obligor fails to perform its obligations set out in the Transaction Documents to which it is a party.

Change of law

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Abu Dhabi and, to the extent applicable in the Emirate of Abu Dhabi, the federal laws of the UAE, and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws of the Emirate of Abu Dhabi, and, to the extent applicable to the Emirate of Abu Dhabi, the federal laws of the UAE or administrative practice after the date of this Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Trustee and the Obligor to comply with their respective obligations under the Transaction Documents.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cashflows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cashflows and for an explanation of the meaning of certain capitalised terms used below. Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this section.



Principal cashflows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Trustee will use the proceeds of the Certificates (the "**Proceeds**") to:

(a) purchase from the Obligor a Usufruct in respect of a portfolio of identified income-generating real estate-related assets (the "**Initial Wakala Portfolio**") located in the Emirate of Abu Dhabi (other than the Abu Dhabi Global Market) which are leased (other than on the basis of a finance lease) to one or more third parties as at the Issue Date in consideration for a purchase price (the "**Purchase Price**") which shall not be less than 51 per cent. of the Proceeds, pursuant to a purchase agreement between the Trustee (in its capacity as purchaser, the "**Purchaser**") and the Obligor (in its capacity as seller, the "**Seller**") (the "**Purchase Agreement**"); and

(b) purchase from a supplier (through a commodity agent) certain commodities, with a cost price (the "**Commodity Purchase Price**") which shall not exceed 49 per cent. of the Proceeds, and which the Trustee (in its capacity as seller, the "**Commodity Seller**") will on-sell to the Obligor (in its capacity as purchaser, the "**Commodity Purchaser**"), in consideration for a deferred sale price equal to the sum of: (i) the Commodity Purchase Price; and (ii) a profit amount (the "**Deferred Sale Price**") (the "**Murabaha Contract**"), pursuant to a murabaha agreement between the Commodity Purchaser and the Commodity Seller (the "**Murabaha Agreement**"),

the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio together with, *inter alia*, the right to receive all instalment payments of the profit amount payable pursuant to the terms of each Murabaha Contract being the "**Wakala Portfolio**". Each real estate-related asset which forms part of the Wakala Portfolio from time to time in accordance with the Transaction Documents is a "**Wakala Asset**".

The Trustee will appoint the Obligor as the servicing agent (the "**Servicing Agent**") to manage the Wakala Portfolio pursuant to a service agency agreement (the "**Service Agency Agreement**").

Periodic Distribution Payments

The Servicing Agent will be obliged under the Service Agency Agreement to maintain two ledger accounts, a collection account (the "**Wakala Collection Account**") and a reserve account (the "**Wakala Reserve Collection Account**"). All revenues in respect of any Wakala Asset and all instalment payments of the profit amount payable pursuant to the terms of each Murabaha Contract (together the "**Wakala Portfolio Revenues**") will be credited to the Wakala Collection Account. Any amounts standing to the credit of the Wakala Collection Account, following application of amounts in accordance with the order of priority set out below, will be credited to the Wakala Reserve Collection Account. The Servicing Agent may deduct amounts standing to the credit of the Wakala Reserve Collection Account at any time prior to the scheduled redemption date of the Certificates and use such amounts for its own account, **provided that** it shall immediately re-credit all such amounts (for on-payment into the Transaction Account) if so required to fund a shortfall or upon the occurrence of a Dissolution Event or a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement).

Prior to each Periodic Distribution Date, the amounts standing to the credit of the Wakala Collection Account will be applied by the Servicing Agent in the following order of priority: (i) first, in repayment of any amounts advanced by way of a Liquidity Facility (as defined below); (ii) second, in payment of any Service Agency Liabilities Amounts then due; (iii) third, in payment of an amount equal to the lesser of the aggregate of the Periodic Distribution Amounts (the "**Required Amount**") payable under the Certificates on the immediately following Periodic Distribution Date, to be paid to an account in the name of the Trustee maintained in London (the "**Transaction Account**") and the balance of the Wakala Collection Account; and (iv) in debiting any amounts still standing to the credit of the Wakala Collection Account and in crediting such amounts to the Wakala Reserve Collection Account, in each case in accordance with the Service Agency Agreement. If, having applied the amount as described in (iii) above, there is any shortfall (the "**Shortfall**") between the amounts standing to the credit of the Wakala Collection Account and the Required Amount, the Servicing Agent may either:

(a) apply any amounts standing to the credit of the Wakala Reserve Collection Account (after the re-crediting of previously deducted amounts) to cover such Shortfall; or

(b) provide (or procure from a third party) non-interest bearing (or otherwise Shari'a compliant) funding (a "**Liquidity Facility**") to the Trustee in the amount required to ensure that the Trustee receives no later than the Payment Business Day immediately preceding such Periodic Distribution Date, the full amount of the Periodic Distribution Amount payable on such date, and on terms that such funding is repayable from future excess Wakala Portfolio Revenues or on a Dissolution Date.

Dissolution Distribution Payments

On the Scheduled Dissolution Date:

(a) the Trustee will have the right under a purchase undertaking (the "**Purchase Undertaking**") to require the Obligor to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at an exercise price (the "**Exercise Price**"); and

(b) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by the Commodity Purchaser under the Murabaha Agreement.

The Exercise Price payable by the Obligor to the Trustee, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Certificates may be redeemed prior to the Scheduled Dissolution Date of the Certificates for the following reasons: (i) redemption in whole (but not in part) following the occurrence of a Dissolution Event; (ii) redemption in whole (but not in part) for tax reasons; (iii) redemption (in whole or, as applicable, in part) following the occurrence of a Change of Control Event; (iv) redemption in whole (but not in part) at the option of the Obligor; (v) redemption in whole (but not in part) at the option of the Obligor if, following the occurrence of a Change of Control Event, holders of 75 per cent. or more of the aggregate outstanding face amount of those Certificates exercise their Change of Control Put Option; or (vi) redemption in whole (but not in part) following a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement).

For the avoidance of doubt, the Certificates will be redeemed automatically following the occurrence of a Total Loss Event (unless the Usufruct over the Wakala Assets has been replaced with a Usufruct over Replacement Wakala Assets in accordance with the terms of the Service Agency Agreement) without the need for any further action or exercise of rights on behalf of either the Obligor or the Trustee.

In the case of (i), (iii) and (vi) above, the Dissolution Distribution Amount or, as the case may be, Change of Control Amount, payable by the Trustee on the relevant date for the redemption of the Certificates will be funded in a similar manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date **provided that**, in the case of (vi) above, the relevant Dissolution Distribution Amount payable by the Trustee will be funded by the proceeds of the insurances against a Total Loss Event and, if applicable, any Total Loss Shortfall Amount (as defined in the Conditions) payable by the Servicing Agent pursuant to the terms of the Service Agency Agreement.

In the case of (ii) and (v) above, the Obligor will have the right under a sale undertaking (the "**Sale Undertaking**") to require the Trustee to sell to the Obligor all of its rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Exercise Price payable by the Obligor. Such Exercise Price, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Dissolution Distribution Amount or, as the case may be, Change of Control Amount, payable by the Trustee on the relevant date for the redemption of the Certificates in full.

In the case of (iv) above, the Obligor will have the right under the Sale Undertaking to require the Trustee to sell to the Obligor all of its rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Optional Dissolution Exercise Price payable by the Obligor. Upon such an early redemption of the Certificates pursuant to (iv), the amount payable upon early redemption shall be inclusive of the Make Whole Amount payable in accordance with the Conditions.

OVERVIEW

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this section.

Overview of Aldar Investments

*Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities which are the subject of the Carve-Out Financial Statements (as defined below). Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business of Aldar Properties PJSC ("**Aldar**").*

Aldar Investments is owned by Aldar, which has a 0.1 per cent. direct shareholding and a 99.9 per cent. indirect shareholding through its wholly-owned subsidiary, Aldar Investment Holding (Restricted) Limited. Aldar Investments was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but undrawn debt facilities. This business had total assets of AED 20.7 billion as at 30 June 2019 and principally comprised yielding investment properties and operating businesses.

As at 30 June 2019, Aldar Investments owned and managed a portfolio of 28 retail properties, 5,621 residential units in 11 separate developments, 12 commercial properties, 14 hospitality properties (comprising nine hotels, one serviced apartment building, three golf courses and a beach club and two cooling assets) with a view to maximising the income from, and optimising the value of, these assets.

Aldar Investments' strategy is to deliver consistent shareholder returns through:

- maximising the performance and value of its portfolio of assets through proactive asset management;
- pursuing portfolio growth opportunities through acquisitions; and
- monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes that it can drive value creation through its asset management capabilities.

Aldar Investments expects to acquire certain additional properties (referred to elsewhere in this Prospectus as the Aldar Properties Expected to be Acquired) from Aldar. These comprise two projects currently being developed by Aldar – The Bridges, which comprises up to 636 residential units and is currently expected to be completed in 2020, and Water's Edge which comprises up to 507 residential units and is currently expected to be completed in 2021.

On a consolidated basis, Aldar is the leading listed property developer and real estate asset manager in Abu Dhabi in terms of total assets and by share of the off-plan residential development market. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. Aldar is 37.3 per cent. owned by Mubadala Investment Company ("**Mubadala**"), which is a wholly-owned Abu Dhabi government entity. Aldar continues to be an important strategic partner to the Abu Dhabi government, having completed a wide variety of large scale infrastructure projects and developments, including key infrastructure on Yas Island, Al Raha Beach and Reem Island, the Ferrari World theme park, the Yas Waterworld park, the World Trade Centre mixed-use development, Yas Marina and Yas Marina Circuit. Aldar has several major projects which it is undertaking on behalf of the Abu Dhabi government, including the mixed-used Abu Dhabi Plaza development in Astana (Kazakhstan), West Yas, a residential development on Yas Island, and twofour54, a media and entertainment free-zone on Yas Island.

Aldar Investments' total assets as at 30 June 2019 amounted to AED 20.7 billion and its revenue and profit for 2018 were AED 1,829 million and AED 129 million, respectively. Aldar Investments' Adjusted EBITDA was AED 1,066 million in 2018. Aldar Investments' revenue and profit for the six months ended 30 June 2019 were AED 1,148 million and AED 368 million, respectively and its Adjusted EBITDA for the same period was AED 654 million.

Overview of the Offering

Description of Certificates	U.S.$500,000,000 Trust Certificates due 2029.
Denomination of Certificates............	The Certificates will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Trustee..	Aldar Sukuk (No. 2) Ltd., an exempted company with limited liability incorporated on 11 September 2019 under the laws of the Cayman Islands with registered number 355252 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 each, of which 250 of the Trustee's shares have been fully-paid and issued. The Trustee's entire share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a share declaration of trust dated 25 September 2019 (the "**Share Declaration of Trust**").
Administration of the Trustee	The affairs of the Trustee are managed by MaplesFS Limited (the "**Administrator**"), who provide, *inter alia*, certain management functions and provide certain clerical, administrative and other services for and on behalf of the Trustee pursuant to a corporate services agreement dated 25 September 2019 between the Administrator and the Trustee (the "**Corporate Services Agreement**").
Obligor	Aldar Investment Properties LLC, incorporated in the Emirate of Abu Dhabi as a limited liability company and registered in the Emirate of Abu Dhabi with commercial registration number CN-2571624. See "*Description of Aldar Investments*" for further details.
Servicing Agent.................................	The Obligor (in its capacity as Servicing Agent) for and on behalf of the Trustee will be responsible for, *inter alia*, insuring the Wakala Assets, paying Proprietary Taxes and performing all Major Maintenance and Structural Repairs.
Joint Global Co-Ordinators	Dubai Islamic Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank.
Joint Lead Managers	Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, Sharjah Islamic Bank PJSC and Standard Chartered Bank.

Delegate	Citibank N.A., London Branch. Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be bound to) take enforcement action in the name of the Trustee against the Obligor following a Dissolution Event.
Principal Paying Agent and Transfer Agent	Citibank N.A., London Branch.
Registrar...	Citigroup Global Markets Europe AG.
Summary of the transaction structure and Transaction Documents..	An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Issue Date	22 October 2019.
Issue Price	99.549 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates	Payable semi-annually, on 22 April and 22 October in each year, commencing on 22 April 2020.
Periodic Distribution Amounts	A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date, calculated in accordance with Condition 8.
Return Accumulation Period	The period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date.
Scheduled Dissolution Date	Unless the Certificates are previously redeemed or purchased and cancelled in full, the Certificates shall be redeemed by the Trustee at the Dissolution Distribution Amount on the Scheduled Dissolution Date (being 22 October 2029) and the Trust will be dissolved by the Trustee.
Dissolution Date.................................	The Dissolution Date shall be, as the case may be: (i) the Scheduled Dissolution Date; (ii) the Dissolution Event Redemption Date; (iii) the Early Tax Dissolution Date; (iv) the Change of Control Put Option Date; (v) the Optional Dissolution Date; or (vi) the Total Loss Dissolution Date.
Status of the Certificates...................	Each Certificate will represent an undivided ownership interest of the Certificateholders in the Trust Assets and will be limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and will at all

times rank *pari passu*, without any preference or priority, with all other Certificates.

Trust Assets.. Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets, consisting of:

(a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) all of the Trustee's rights, interests, benefits and entitlements in, to and under, the Usufruct over the relevant Wakala Assets;

(c) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and

(d) all moneys standing to the credit of the Transaction Account,

and all proceeds of the foregoing, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

Limited Recourse............................... No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets.

Save as provided in Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Obligor, the Delegate or any of the Agents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) the Obligor in respect of any shortfall in the expected amounts due under the Trust Assets. See Condition 4 for further details.

Trustee Covenants............................. The Trustee has agreed to certain restrictive covenants as set out in Condition 7.

Obligor Covenants............................. The Obligor has agreed to certain restrictive covenants as set out in Condition 5.

Dissolution Events .... The Dissolution Events are described in Condition 14. Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at an amount equal to the Dissolution Distribution Amount in the manner described in Condition 14.

Early Dissolution for Tax Reasons... Where: (i) the Trustee has or will become obliged to pay additional amounts in respect of the Certificates as a result of any change in, or amendment to, the laws or regulations of the

Cayman Islands or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; or (ii) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts under the Transaction Documents to which it is a party as a result of any change in, or amendment to, the laws or regulations of the UAE or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date, and such obligation cannot be avoided by the Trustee or the Obligor, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice delivered by the Obligor pursuant to the terms of the Sale Undertaking, redeem the Certificates in whole but not in part at an amount equal to the Dissolution Distribution Amount on the Early Tax Dissolution Date.

Change of Control Put Option .... Each Certificateholder will have the right to require the redemption of its Certificates if, either: (a) any person other than the Government of Abu Dhabi or any entity controlled, directly or indirectly, by the Government of Abu Dhabi acquires more than 50 per cent. of the issued share capital of the Obligor; or (b) Aldar Properties PJSC ceases to control or hold, directly or indirectly, more than 50.0 per cent. of the issued share capital of the Obligor. Any such redemption will take place on the Change of Control Put Option Date which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period. Certificates will be redeemed at their face amount, together with any accrued but unpaid Periodic Distribution Amount.

Change of Control Call Clean Up .... Pursuant to Condition 10.3(b), if the holders of 75 per cent. or more of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 10.3(a), provided that the Trustee has received an Exercise Notice from the Obligor under the Sale Undertaking obliging the Trustee to redeem the Certificates, the Trustee shall redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date.

Optional Dissolution Event............... Pursuant to Condition 10.4, the Certificates may be redeemed, in whole, but not in part, at the option of the Obligor, prior to the Scheduled Dissolution Date, following receipt by the Trustee of an Exercise Notice delivered by the Obligor pursuant to the terms of the Sale Undertaking. Upon an early redemption of the Certificates pursuant to Condition 10.4, the amount payable upon early redemption shall be inclusive of the Make Whole Amount payable in accordance with the Conditions.

Make Whole Amount........................ In summary, the Make Whole Amount means, with respect to any Certificate on the Optional Dissolution Date (as defined in the Conditions), the excess of: (a) the present value at the Optional Dissolution Date of: (A) the face amount of such Certificate on the Optional Dissolution Date, *plus* (B) all required remaining Periodic Distribution Amounts due on such Certificate through to the Scheduled Dissolution Date (excluding accrued but unpaid Periodic Distribution Amounts up to the Optional Dissolution Date), computed using a discount rate equal to the Treasury Rate (as defined in the Conditions) on the Optional Dissolution Date plus 50 basis points; *over* (b) the face amount of the Certificate on the Optional Dissolution Date as calculated by the Obligor or other party appointed by it for this purpose.

Total Loss Event .... The Servicing Agent has undertaken to the Trustee that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will, amongst other things: (i) be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and that it has effected such insurances in respect of the Usufruct over the Wakala Assets (the "**Insurances**"), including against a Total Loss Event; and (ii) ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30th day after the occurrence of the Total Loss Event.

Notwithstanding the foregoing, by no later than 30th day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over Replacement Wakala Assets which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over the relevant Wakala Assets which have suffered a Total Loss Event.

If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30th day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the purchase price (as set out in the Supplemental Purchase Agreement).

If, however, the Servicing Agent fails to comply with its obligations pursuant to Clause 3.2 of the Service Agency Agreement and the Usufruct over the Wakala Assets is not replaced and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent shall pay the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred and such Total Loss Shortfall Amount will be used (together with the proceeds of any Insurances) by the Trustee to: (i) redeem all (but not some only) of the Certificates at the Dissolution Distribution

Amount on the Total Loss Dissolution Date; and (ii) dissolve the Trust. See further Condition 10.5.

Purchase and Cancellation of Certificates .... Pursuant to Condition 13, the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Certificates purchased by or on behalf of the Obligor or any Subsidiary of the Obligor may in the Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold.

Form and Delivery of the Certificates .... The Certificates will be issued in registered form only as described in "*Global Certificate*".

The Certificates will be represented by beneficial interests in a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable) and its respective participants. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances described under "*Global Certificate*".

Clearance and Settlement .... Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

Withholding Tax............................... Subject to Condition 9.2 and Condition 11, all payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the UAE or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of the taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction, except in certain circumstances set out in Condition 11.

The Transaction Documents provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the UAE or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax. Where any such withholding or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Certificateholder Meetings	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19.
Transaction Documents	The "**Transaction Documents**" are the Declaration of Trust, any Supplemental Trust Deed, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement).
Governing Law	The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law. The Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement), and any non-contractual obligations arising out of or in connection with any such Transaction Documents, will be governed by, and construed in accordance with, English law. In respect of any dispute under any such agreement or deed to which it is a party, the Obligor has agreed to arbitration in London under the LCIA Rules. The Obligor has also agreed to submit to the exclusive jurisdiction of the courts of England at the option of the Trustee or the Delegate, in respect of any dispute under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement), subject to the right of the Delegate to require any dispute to be resolved by any other court of competent jurisdiction. The Purchase Agreement, any Supplemental Purchase Agreement and any Sale Agreement will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in the Emirate of Abu Dhabi, the federal laws of the UAE, and will be subject to the exclusive jurisdiction of the Abu Dhabi courts, subject to the right of the Trustee (or the Delegate) to require any dispute to be resolved by any other court of competent jurisdiction. The Corporate Services Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands and are subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.
Listing..	Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the regulated market of Euronext Dublin. Application has also been made to the ADX for the Certificates to be admitted to listing on the ADX.

Ratings.. Upon issue, the Certificates are expected to be assigned a rating of Baa1 by Moody's.

A securities rating is not a recommendation to buy, sell or hold the Certificates and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Selling Restrictions............................ There are restrictions on the distribution of this Prospectus and the offer, sale and transfer of the Certificates in the United States, the United Kingdom, the Cayman Islands, the UAE (excluding the DIFC), the DIFC, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore. See "*Subscription and Sale*" for further details.

Use of Proceeds................................. The proceeds of the issue of the Certificates will be applied by the Trustee in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio; and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement. The Obligor shall use the Purchase Price and the funds received from its on-sale of the commodities for its general corporate purposes.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and incorporated by reference into the Global Certificate (as defined below) in respect of the Certificates.

Each of the U.S.$500,000,000 Trust Certificates due 2029 (the "**Certificates**") is issued by Aldar Sukuk (No. 2) Ltd. (in its capacities as issuer and trustee for and on behalf of the Certificateholders (as defined below), the "**Trustee**") and represents an undivided ownership interest in the Trust Assets (as defined below) held on trust (the "**Trust**") for the holders of such Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 22 October 2019 (the "**Issue Date**") made between the Trustee, Aldar Investment Properties LLC (the "**Obligor**") and Citibank N.A., London Branch (the "**Delegate**").

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Trustee, the Obligor, the Delegate and Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**") and as transfer agent (in such capacity, a "**Transfer Agent**", and together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (as defined below) (copies of which are available for inspection during normal business hours at the specified offices of the Paying Agents).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. In the event of any inconsistency between any such document, these Conditions will prevail.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of the Certificates in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio (each as defined below); and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires. In addition, in these Conditions the following expressions have the following meanings:

"**Asset Sale**" means any sale, sale and lease back, transfer or other disposition by any member of the Group of all or any of the legal or beneficial interest in any Capital Stock or any property or assets of any member of the Group (either in one transaction or in a series of related transactions at the same time or over a period of time) to any Person who is not a member of the Group;

"**Authorised Denomination(s)**" has the meaning given to it in Condition 2.1;

"**Authorised Signatory**" means, in relation to the Trustee or the Obligor, any person who is duly authorised and in respect of whom a certificate has been provided to the Delegate signed by a director, manager or another duly authorised person of the Trustee or the Obligor, as the case may be, setting out the name and signature of such person and confirming such person's authority to act;

"**Borrowings**" means, at any time, the aggregate outstanding principal, capital or nominal amount of, and any fixed or minimum premium payable on prepayment or redemption of, any indebtedness for or in respect of Financial Indebtedness;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, the Emirate of Abu Dhabi and London;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether outstanding at the Issue Date or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock;

"**Cash and Cash Equivalents**" means, at any time:

(a) cash in hand or on deposit with any acceptable bank;

(b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;

(c) any investment in marketable obligations issued or guaranteed by: (i) the government of the United States of America or the United Kingdom or by an instrumentality or agency of the government of the United States of America or the United Kingdom having an equivalent credit rating; or (ii) the Government of the UAE or the Government of Abu Dhabi, provided in the case of (ii) such obligations have a maturity of less than one year;

(d) open market commercial paper:

  (i) for which a recognised trading market exists;

  (ii) issued in the United States of America or the United Kingdom;

  (iii) which matures within one year after the relevant date of calculation; and

  (iv) which has a credit rating of either A-1 by Standard & Poor's or Fitch or P-1 by Moody's or if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; or

(e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB- or higher by Standard & Poor's or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

"**Certificate**" means each certificate represented by the Global Certificate as described in Condition 2.1;

"**Certificateholders**" has the meaning given to it in Condition 2;

"**Change of Control Amount**" means, in relation to each Certificate to be redeemed pursuant to Condition 10.3, an amount equal to the face amount of such Certificate, together with any due but unpaid Periodic Distribution Amount;

"**Change of Control Event**" shall occur if, either:

(a) any person other than the Government acquires more than 50.0 per cent. of the issued share capital of Aldar Properties PJSC; or

(b) Aldar Properties PJSC ceases to control or hold, directly or indirectly, more than 50.0 per cent. of the issued share capital of the Obligor;

"**Change of Control Exercise Price**" has the meaning given to it in the Purchase Undertaking;

"**Change of Control Notice**" has the meaning given to it in Condition 10.3;

"**Change of Control Put Notice**" has the meaning given to it in Condition 10.3;

"**Change of Control Put Option Date**" shall be: (i) a date falling not less than 60 days following the expiry of the Change of Control Put Period; and (ii) a Periodic Distribution Date;

"**Change of Control Put Period**" shall be the period of 30 days commencing on the date that a Change of Control Notice is given;

"**Change of Control Call Option**" has the meaning given to it in Condition 10.3(b);

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.;

"**Conditions**" means these terms and conditions of the Certificates;

"**Deferred Sale Price**" has the meaning given to it in the Murabaha Agreement;

"**Dispute**" has the meaning given to it in Condition 23.2;

"**Dissolution Date**" means, as the case may be:

(a) the Scheduled Dissolution Date;

(b) the Early Tax Dissolution Date;

(c) the Change of Control Put Option Date;

(d) the Dissolution Event Redemption Date; or

(e) the Optional Dissolution Date; or

(f) the Total Loss Dissolution Date;

"**Dissolution Distribution Amount**" means, in relation to each Certificate, the sum of:

(a) the outstanding face amount of such Certificate; and

(b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates;

"**Dissolution Event**" has the meaning given to it in Condition 14;

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 14;

"**Dissolution Notice**" has the meaning given to it in Condition 14;

"**Early Tax Dissolution Date**" has the meaning given to it in Condition 10.2;

"**Earnings Before Interest and Tax (EBIT)**" means, in respect of any Measurement Period, the consolidated operating profit of the Group before taxation (excluding the results from discontinued operations) for such Measurement Period: (a) before deducting any interest/profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period; (b) not including any accrued interest/profit owing to any member of the Group; (c) before taking into account any Exceptional Items; (d) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis); (e) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;

"**EBITDA**" means, in respect of any Measurement Period, Earnings Before Interest and Tax (EBIT) for that Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group, as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Exceptional Items**" means any exceptional, one-off, non-recurring or extraordinary items;

"**Exercise Notice**" has the meaning given to it in the Purchase Undertaking or the Sale Undertaking, as the case may be;

"**Exercise Price**" has the meaning given to it in the Purchase Undertaking or the Sale Undertaking, as the case may be;

"**Expected Wakala Portfolio Revenues Amount**" has the meaning given to it in the Service Agency Agreement;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 of the Declaration of Trust;

"**Fair Market Value**" means, with respect to any Capital Stock, asset or property, the sale value that would be paid in an arm's-length transaction between an independent, informed and willing seller under no compulsion to sell and an independent, informed and willing buyer under no compulsion to buy;

"**Fitch**" means Fitch Ratings Limited;

"**Finance SPV**" means the special purpose company incorporated for (and limited to) the purpose of implementing the project in respect of the project financing;

"**Financial Indebtedness**" means any indebtedness for or in respect of: (a) moneys borrowed and debit balances at banks or other financial institutions; (b) any amount raised by acceptance under any acceptance credit or bill discount facility (or dematerialised equivalent); (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease; (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non- recourse basis except for recourse by reference to a breach by the selling company of any standard representations relating to the relevant receivables (but not as to the creditworthiness of the debtor or the collectability of the receivables)); (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution by way of support for borrowings under paragraphs (a) to (e) (inclusive) and (g) to (k) (inclusive) of this definition; (g) shares which are expressed to be redeemable shares or any amount raised by the issue of such shares which are redeemable on or prior to the Scheduled Dissolution Date; (h) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of an asset or service; (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and leaseback arrangement, sale and saleback arrangement or securitisation) having the commercial effect of a borrowing; (j) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); (k) obligations incurred in respect of any Islamic financing arrangement; and (l) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (k) (inclusive) above, but shall not include any indebtedness owed by one member of the Group to another member of the Group;

"**Full Reinstatement Value**" means an amount equal to the aggregate of:

(a) the aggregate face amount of the Certificates then outstanding; plus

(b) an amount equal to the Periodic Distribution Amounts, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurred and ending on but excluding the 30th day following the occurrence of the Total Loss Event; plus

(c) (to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding: (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; less

(d) the aggregate amounts of Deferred Sale Price then outstanding, if any;

"**Government**" means the Government of Abu Dhabi, or any entity controlled, directly or indirectly, by the Government of Abu Dhabi, where "control" means that the Government of Abu Dhabi (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policy of that entity;

"**Group**" means the Obligor and its Subsidiaries (if any);

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standard Board;

"**Indebtedness**" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any Shari'a compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

"**Independent Appraiser**" means: (i) for the purposes of assets comprising interests in real estate and leases, an independent registered firm of chartered surveyors; and (ii) for the purposes of any assets other than those described in (i), any independent firm of appraisers or internationally recognised investment banking firm or firm of public accountants, in the case of (i) and (ii) being of international standing, selected by the Obligor;

"**Initial Wakala Portfolio**" has the meaning given to it in the Purchase Agreement;

"**Instalment Profit Amount**" has the meaning given to it in the Murabaha Agreement;

"**Investment Grade Rating**" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Standard & Poor's; and (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency;

"**Investment Grade Status**" means the Obligor has an Investment Grade Rating from any one or more Rating Agencies;

"**LCIA**" has the meaning given to it in Condition 23.2;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Liquidity Facility**" has the meaning given to it in the Service Agency Agreement;

"**Make Whole Amount**" means, with respect to any Certificate on the Optional Dissolution Date, the excess of: (a) the present value at the Optional Dissolution Date of: (A) the face amount of such Certificate on the Optional Dissolution Date, *plus* (B) all required remaining Periodic Distribution Amounts due on such Certificate through to the Scheduled Dissolution Date (excluding accrued but unpaid Periodic Distribution Amounts to the Optional Dissolution Date), computed using a discount rate equal to the Treasury Rate on the Optional Dissolution Date plus 50 basis points; *over* (b) the face amount of the Certificate on the Optional Dissolution Date as calculated by the Obligor or other party appointed by it for this purpose;

"**Material Subsidiary**" means any Subsidiary:

(i) whose total revenue or whose total assets represent not less than 10 per cent. of the consolidated total revenue of the Obligor or, as the case may be, the consolidated total assets of the Obligor, in each case as determined by reference to the then latest consolidated audited financial statements of the Obligor prepared in accordance with IFRS; and/or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon in the case of a transfer by a Material Subsidiary: (a) the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the consolidated audited financial statements of the Obligor prepared in accordance with IFRS for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

A report by two duly Authorised Signatories of the Obligor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding;

"**Measurement Period**" means a period of 12 months ending on: (i) the last day of the most recently completed financial year of the Obligor; and (ii) if consolidated reviewed interim financial statements of the Obligor are published, the last day of the relevant period in respect of which such financial statements were prepared;

"**Moody's**" means Moody's Investors Service Inc.;

"**Murabaha Agreement**" means the murabaha agreement dated the Issue Date and entered into between the Trustee and the Obligor;

"**Net Finance Expense**" means, for any Measurement Period: (a) the aggregate amount of the accrued interest, profit, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)); less (b) the aggregate amount of all financing charges received or receivable by any member of the Group (calculated on a consolidated basis) in respect of that Measurement Period;

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project or any refinancing thereof, **provided that**: (a) any Security Interest given by the Obligor or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to (i) such assets or project assets; (ii) if applicable, any shares in the relevant Finance SPV; and (iii) if applicable, an assignment of any loans made by the Obligor or any relevant Subsidiary to the relevant Finance SPV; (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project (including any Security Interest as described in limb (a) of this definition) and, if applicable, the Finance SPV as the sole source of repayment for the moneys advanced; and (c) there is no other recourse to the Obligor or the relevant Subsidiary (unless the relevant Subsidiary is itself a Finance SPV), as the case may be, in respect of any default by any person under the financing (other than in relation to any claim for damages for breach of an obligation, representation or warranty (provided such obligation, representation or warranty does not relate to an obligation to pay or procure payment of any amount));

"**Optional Dissolution Date**" has the meaning given to it in Condition 10.5;

"**Optional Dissolution Distribution Amount**" means, in relation to each Certificate, the sum of:

(a) the outstanding face amount of such Certificate;

(b) any accrued but unpaid Periodic Distribution Amounts relating to such Certificates; and

(c) the Make Whole Amount;

"**Obligor Event**" has the meaning given to it in Condition 14;

"**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8.1;

"**Periodic Distribution Date**" means 22 April and 22 October in each year, commencing on 22 April 2020, and subject to Condition 8.3, ending on the Scheduled Dissolution Date;

"**Permitted Reorganisation**" means:

(a) (i) any winding-up or dissolution of a Material Subsidiary whereby the undertaking and assets of that Material Subsidiary are transferred to or otherwise vested in the Obligor and/or any of the Obligor's other Subsidiaries; or (ii) any winding-up or dissolution of the Obligor whereby the undertaking and assets of the Obligor are transferred to or otherwise vested in one of its Subsidiaries, **provided that**, in the case of (ii) only, at the same time or prior to any such transfer or vesting, all amounts payable by the Obligor under each Transaction Document to which it is a party have been assumed by such other Subsidiary on terms previously approved by an Extraordinary Resolution; or

(b) any composition or other similar arrangement on terms previously approved by an Extraordinary Resolution;

"**Permitted Security Interest**" means:

(a) any Security Interest existing on the Signing Date;

(b) any Security Interest granted by a Person where such Security Interest exists at the time that such person is merged into, or consolidated with, the Obligor or the relevant Material Subsidiary (as the case may be), **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Obligor or the relevant Material Subsidiary (as the case may be);

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or the relevant Material Subsidiary (as the case may be), **provided that** such Security Interest was not created in contemplation of such acquisition; or

(d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (c) (inclusive) of this definition, **provided that** with respect to any such Security Interest the aggregate principal amount of the Indebtedness secured thereby has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Proceedings**" has the meaning given to it in Condition 23.5;

"**Profit Amount**" has the meaning given to it in the Murabaha Agreement;

"**Purchase Agreement**" means the purchase agreement dated the Issue Date and entered into between the Trustee and the Obligor;

"**Purchase Price**" has the meaning given to it in the Purchase Agreement;

"**Purchase Undertaking**" means the purchase undertaking dated the Issue Date and granted by the Obligor for the benefit of the Trustee and the Delegate;

"**Rating Agency**" means Fitch Ratings Limited, Moody's Investors Service Ltd. or Standard & Poor's Credit Market Services Europe Limited or any of their successors or any other internationally recognised statistical rating organisation;

"**Record Date**" means, in the case of the payment of a Periodic Distribution Amount or the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, the date falling on the 15th day before the relevant Periodic Distribution Date or the relevant Dissolution Date (as the case may be);

"**Register**" has the meaning given to it in Condition 2.1;

"**Replacement Wakala Assets**" has the meaning given to it in the Service Agency Agreement;

"**Relevant Date**" has the meaning given to it in Condition 11;

"**Relevant Indebtedness**" means any present or future indebtedness, other than any Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Sukuk Obligation**" means any Sukuk Obligation, other than any Sukuk Obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Required Amount**" has the meaning given to it in the Service Agency Agreement;

"**Return Accumulation Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

"**Rules**" has the meaning given to it in Condition 23.2;

"**Sale Agreement**" means any sale agreement entered into in connection with the Purchase Undertaking or the Sale Undertaking, as the case may be;

"**Sale Undertaking**" means the sale undertaking dated the Issue Date and granted by the Trustee for the benefit of the Obligor;

"**Scheduled Dissolution Date**" means 22 October 2029;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, **provided that**: (a) any Security Interest given by the Obligor or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to the Obligor or the relevant Subsidiary, as the case may be, in respect of any default by any person under the securitisation;

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Service Agency Agreement**" means the service agency agreement dated the Issue Date and entered into between the Trustee and the Servicing Agent;

"**Service Agency Liability Amounts**" has the meaning given to it in the Service Agency Agreement;

"**Servicing Agent**" means Aldar Investment Properties LLC in its capacity as servicing agent under the Service Agency Agreement;

"**Signing Date**" means 17 October 2019;

"**Standard & Poor's**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc.;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, or the power to appoint or remove members of the governing body of the second Person;

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of Shari'a, whether or not in return for consideration of any kind;

"**Supplemental Declaration of Trust**" has the meaning given to it in the Declaration of Trust;

"**Supplemental Purchase Agreement**" has the meaning given to it in the Purchase Agreement;

"**Tax Event**" has the meaning given to it in Condition 11;

"**Taxes**" has the meaning given to it in Condition 11;

"**Total Assets**" means the aggregate value (less depreciation and amortisation computed in accordance with international accounting standards) of all assets of the Group which are treated as assets determined in accordance with IFRS, as shown in the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS or, if no such value is specified in those financial statements, the Fair Market Value of such assets;

"**Total Indebtedness**" means the aggregate amount of all obligations of the Group for or in respect of Borrowings, as determined by reference to the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

"**Total Loss Dissolution Date**" means the date immediately following the occurrence of a Total Loss Event;

"**Total Loss Event**" means:

(a) the total loss or destruction of, or damage to the whole of the Wakala Assets or any event or occurrence which renders the whole of such asset permanently unfit for any economic use and (but only after taking into consideration the proceeds of any insurances or other indemnity granted in each case by any third party in respect of the Wakala Asset) the repair of remedial work in respect thereof is wholly uneconomical; or

(b) the occurrence of any expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Wakala Assets.

"**Total Loss Shortfall Amount**" has the meaning given to it in the Service Agency Agreement;

"**Total Revenues**" means the aggregate value of all revenue of the Group which is treated as revenue determined in accordance with IFRS, as shown in the most recently available audited or auditor reviewed consolidated financial statements of the Group prepared in accordance with IFRS;

"**Transaction Account**" means the account in London in the Trustee's name maintained with the Principal Paying Agent, into which the Obligor (in all its relevant capacities under the Transaction Documents to which it is a party) will deposit certain amounts due to the Trustee under the Transaction Documents;

"**Transaction Documents**" means the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement) each as may be amended, restated and/or supplemented from time to time;

"**Treasury Rate**" means, as at the Optional Dissolution Date, the yield to maturity as of the Optional Dissolution Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Optional Dissolution Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the remaining weighted average life of outstanding debt; ***provided however*****, that** if the period from the Optional Dissolution Date to the Scheduled Dissolution Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used;

"**Trust Assets**" has the meaning given to it in Condition 6.1;

"**UAE**" means United Arab Emirates;

"**Usufruct**" means the usufruct rights granted pursuant to Articles 1333-1348 of Federal Law No. 5 of 1985 (as amended) in respect of Civil Transactions for the United Arab Emirates in the Wakala Asset during the Usufruct Term;

"**Usufruct Term**" has the meaning given to it in the Purchase Agreement;

"**Wakala Assets**" has the meaning given to it in the Purchase Agreement;

"**Wakala Collection Account**" has the meaning given to it in the Service Agency Agreement;

"**Wakala Portfolio Revenues**" has the meaning given to it in the Service Agency Agreement; and

"**U.S.$**" and "**U.S. dollars**" each means the lawful currency for the time being of the United States of America.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each relevant Certificate will be numbered serially with an identifying number which will be recorded on the Certificate and in the register of Certificateholders (the "**Register**"), which the Trustee will cause to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement.

In these Conditions, "**Certificateholder**" or "**holder**" means the person in whose name a Certificate is registered.

Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".

2.2 **Title**

Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no Person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3. **TRANSFERS OF CERTIFICATES**

3.1 **Transfers**

(a) Subject to Conditions 3.4 and 3.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents.

(b) In the case of an exercise of the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

Transfer of interests in the Certificates represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed Change of Control Put Notice or form of transfer endorsed on the Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the Change of Control Put Notice or form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

3.3 **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee by the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as, any Transfer Agent or the Registrar may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on (and including) the due date for any payment of the Dissolution Distribution Amount, or Optional Dissolution Distribution Amount or any Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due.

3.5 **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate (acting in accordance with the Declaration of Trust and these Conditions) and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests a copy of such regulations.

The Certificateholders shall be entitled to receive, in accordance with Condition 3.2, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2.

4. **STATUS AND LIMITED RECOURSE**

4.1 **Status**

Each Certificate represents an undivided ownership interest in the Trust Assets, and the Certificates are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and will at all times rank *pari passu,* without any preference or priority, with all other Certificates.

The payment obligations of the Obligor (acting in any capacity) under the Transaction Documents will be direct, unconditional, unsubordinated and unsecured obligations of the Obligor which (save for such exceptions as may be provided by applicable law and subject to the negative pledge provisions included in Condition 5.1) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations from time to time outstanding.

4.2 **Limited Recourse and Agreement of Certificateholders**

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in this Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Obligor, the Delegate or any of the Agents.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates.

By subscribing for or acquiring the Certificates, each Certificateholder is deemed to have acknowledged and agreed that, notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, in relation to the Certificates:

(a) no payment of any amount whatsoever shall be made by any of the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or of the Delegate, to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee and the Delegate shall be extinguished;

(b) the Trustee may not sell, transfer, assign or otherwise dispose of the Musataha over the relevant Wakala Assets to a third party, and may only realise its rights, interest, benefits and entitlements, present and future, in, to and under the Musataha over the relevant Wakala Assets in the manner expressly provided in the Transaction Documents;

(c) if the proceeds of the Trust Assets are insufficient to make any payment due in respect of the Certificates, it will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services provider in each of their respective capacities as such) (other than the Trust Assets) or of the Delegate in respect of any shortfall or otherwise;

(d) it will not petition for, institute, or join with any other person in instituting proceedings for, any bankruptcy, reorganisation, arrangement or liquidation, winding-up or receivership proceedings or other proceedings under any bankruptcy or similar law in any jurisdiction against the Trustee or the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Declaration of Trust, the Certificates and the Conditions (as from time to time supplemented or modified in accordance with the provisions herein or therein contained), by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent, director or corporate services provider of the Trustee or the Delegate in their respective capacities as such and any and all personal liability of every such shareholder, member, officer, agent, director or corporate services provider (in each of their respective capacities as such) for any breaches by the Trustee or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law save in the case of their wilful default or actual fraud (as determined by a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party); and

(f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due hereunder or any part thereof with respect to any liability owed by it to the Trustee or claim any lien or other rights over any property held by it on behalf of the Trustee.

The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to or to the order of the Trustee (for and on behalf of the Certificateholders) or the Delegate (acting in the name and on behalf of the Trustee). Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover such payments notwithstanding any other provisions of this Condition 4.2.

5. OBLIGOR COVENANTS

5.1 Negative pledge

The Obligor covenants that, for so long as any Certificate is outstanding it will not, and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without: (i) at the same time or prior thereto, securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity); or (ii) providing such other Security Interest for the obligations of the Obligor under the Transaction Documents as either: (A) the Delegate may in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (B) may be approved by an Extraordinary Resolution of the Certificateholders.

5.2 Disposals

The provisions of this Condition 5.2 shall not apply for so long as the Obligor has Investment Grade Status. However, the provisions of this Condition 5.2 shall immediately apply if and for so long as the Obligor ceases to have Investment Grade Status.

The Obligor covenants that, for so long as any Certificate is outstanding it will not, and will ensure that none of its Subsidiaries will, directly or indirectly, enter into an Asset Sale in respect of an asset which has a book value (as determined by reference to the most recently available financial statements of the Obligor or of its relevant Subsidiary, as the case may be, prepared in accordance with IFRS) that exceeds 10 per cent. of the Total Assets, or, as the case may be, Total Revenues, at the time of such proposed Asset Sale, unless:

(a) such Asset Sale has been approved by the Board of Directors of the Obligor;

(b) the consideration received by the Obligor or its Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of (such determination to be made by an Independent Appraiser at the time of such Asset Sale); and

(c) at least 80 per cent. of the net proceeds of such Asset Sale received by the Obligor or its Subsidiary, as the case may be, are applied directly or indirectly towards any business of the Group (including, for the avoidance of doubt, without limitation, towards the acquisition of any asset (whether directly or indirectly) or towards the payment (including early payment) of any outstanding debt, liability or obligation of the Obligor or any of its Subsidiaries), such that the balance of such net proceeds, being up to 20 per cent. of such net proceeds may be used to pay dividends and distributions to the Obligor's shareholders, or may otherwise be returned to the Obligor's shareholders, **provided that**, nothing in this Condition shall restrict the Obligor from:

  (i) using any other source of funds to pay dividends, distributions or other amounts to the Obligor's shareholders;

  (ii) distributing any percentage of the net proceeds of any Asset Sale (in excess of 20 per cent.) to its shareholders if the Obligor holds an amount in Cash and Cash Equivalents at least equal to the sum of: (x) the aggregate outstanding face amount of the Certificates at the time of the relevant Asset Sale (as such amount may be reduced from time to time); and (y) the remaining scheduled Periodic Distribution Amounts up to (and including) the Scheduled Dissolution Date at the time of the relevant Asset Sale (as the aggregate amount of such remaining scheduled Periodic Distribution Amounts may be reduced from time to time); and

  (iii) distributing any percentage of the net proceeds of any Asset Sale (in excess of 20 per cent.) to its shareholders if, and to the extent that, the Obligor will be in compliance with the Distribution Financial Conditions (as defined below) after taking into account the proposed distribution.

"**Distribution Financial Conditions**" means:

(i) the ratio of EBITDA to Net Finance Expense for the immediately preceding Measurement Period being at least 1.5:1; and

(ii) the ratio of Total Indebtedness to Total Assets at the end of the immediately preceding Measurement Period being not more than 0.4:1.

6. TRUST

6.1 Trust Assets

Pursuant to the Declaration of Trust, the Trustee has declared that it will hold certain assets (the "**Trust Assets**"), consisting of:

(a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) all of the Trustee's rights, interests, benefits and entitlements in, to and under, the Usufruct over the relevant Wakala Assets;

(c) all of the Trustee's rights, title, interests, benefits and other entitlements in, to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and

(d) all moneys standing to the credit of the Transaction Account,

and all proceeds of the foregoing, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and these Conditions.

6.2 Application of Proceeds from Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the Transaction Account in the following order of priority:

(a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Declaration of Trust));

(b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount; and

(d) *fourth*, only if such payment is made on a Dissolution Date, payment of the residual amount (if any) to the Obligor in its capacity as Servicing Agent as an incentive fee payment for its performance under the Service Agency Agreement.

7. TRUSTEE COVENANTS

The Trustee covenants that for so long as any Certificate is outstanding it shall not (without the prior written consent of the Delegate):

(a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as provided in the Transaction Documents;

(b) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;

(d) except as provided in Condition 19, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(e) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(f) have any subsidiaries or employees;

(g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

    (i) as contemplated, provided for or permitted in the Transaction Documents;

    (ii) in connection with the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

    (iii) such other matters which are incidental thereto.

8. PERIODIC DISTRIBUTIONS

8.1 Periodic Distribution Amount

Profit shall accrue at 3.875 per cent. per annum and such profit shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date in respect of the Return Accumulation Period ending on such date (each such profit distribution being referred to in these Conditions as a "**Periodic Distribution Amount**"). The Trustee shall distribute to Certificateholders, out of amounts transferred to the Transaction Account, Periodic Distribution Amounts, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions. Subject to Condition 8.2 and Condition 9, the Periodic Distribution Amount payable on each Periodic Distribution Date shall be U.S.$19.375 per U.S.$1,000 in face amount of the Certificates.

8.2 **Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date**

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of:

(a) 3.875 per cent. per annum;

(b) the face amount of the Certificate; and

(c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, the actual number of days in the period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Return Accumulation Period in which the Relevant Period falls (including the first day but excluding the last)).

8.3 **Cessation of Accrual**

No further amounts will be payable on any Certificate from and including: (a) a Dissolution Date (other than a Total Loss Dissolution Date), unless default is made in payment of the Dissolution Distribution Amount or, as the case may be, Optional Dissolution Distribution Amount and no Sale Agreement has been executed pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, relating to the redemption of the Certificates in full, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 to the earlier of: (x) the Relevant Date; and (y) the date on which a Sale Agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, relating to the redemption of the Certificates in full; and (b) the date on which a Total Loss Event occurs.

9. **PAYMENT**

9.1 **Payments in respect of Certificates**

Subject to Condition 9.2, payment of any Periodic Distribution Amount and the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of each Certificateholder. Payments of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, will only be made against surrender of the Certificate at the specified offices of any of the Paying Agents. The Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount and each Periodic Distribution Amount will be paid on the due date to the holder shown on the Register at the close of business on the Record Date.

For the purposes of these Conditions, a Certificateholder's "**Registered Account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 **Payments subject to Applicable Laws**

Payments will be subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Certificates in respect of such payments.

9.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount, if later, on the Payment Business Day on which the Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

9.4 Agents

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein and in the Declaration of Trust) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any Certificateholder.

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided that**:

(a) it will at all times maintain a Principal Paying Agent;

(b) it will at all times maintain a Registrar (which may be the Principal Paying Agent); and

(c) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its specified office in a jurisdiction within Europe.

Notice of any termination or appointment and of any changes in the specified offices shall be given by the Trustee to the Certificateholders in accordance with Condition 18.

10. CAPITAL DISTRIBUTIONS OF THE TRUST

10.1 Dissolution on the Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Scheduled Dissolution Date.

Upon payment in full of the Dissolution Distribution Amount, the Trust will be dissolved by the Trustee on the Scheduled Dissolution Date and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.2 Early Dissolution for Tax Reasons

Upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale Undertaking, the Certificates shall be redeemed by the Trustee in whole, but not in part, on the date specified in the Exercise Notice (an "**Early Tax Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if it is determined by the Obligor that a Tax Event occurs, where "**Tax Event**" means:

(a) (i) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) (i) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Abu Dhabi or any political subdivision or, in each case, any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Signing Date; and (ii) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given:

(i) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor in accordance with the Sale Undertaking; and

(ii) earlier than 90 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) the Obligor would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee or, as the case may be, the Obligor shall deliver to the Delegate:

(A) a certificate signed by, or by two Authorised Signatories on behalf of, the Trustee or, as the case may be, the Obligor stating that the obligation referred to in paragraph (a) or (b) above cannot be avoided by the Trustee, or as the case may be, the Obligor, taking reasonable measures available to it, and

(B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or, as the case may be, the Obligor, has or will become obliged to pay such additional amounts as a result of such change of amendment.

Upon the expiry of any such notice given in accordance with this Condition 10.2, and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.3 **Dissolution at the option of the Certificateholders (Change of Control Put Option)**

(a) If a Change of Control Event occurs, the Trustee will, upon the holder of any Certificate giving notice to the Trustee in accordance with Condition 18 (a "**Change of Control Put Notice**") within the Change of Control Put Period, redeem such Certificate on the Change of Control Put Option Date at the Change of Control Amount.

If the holder of every Certificate outstanding delivers a Change of Control Put Notice within the Change of Control Put Period to the Trustee in accordance with Condition 18 (unless prior to the giving of the relevant Change of Control Put Notice, the Trustee has given notice of redemption under Condition 10.2 or Condition 10.4) the Trustee will: (i) redeem the Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date; and (ii) dissolve the Trust.

Promptly upon the Obligor becoming aware that a Change of Control Event has occurred, it shall give notice to the Trustee. The Trustee shall, upon receipt of such notice from the Obligor, promptly give notice to the Certificateholders (a "**Change of Control Notice**") in accordance with Condition 18 specifying the nature of the Change of Control Event.

(b) If the holders of 75 per cent. or more of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 10.3(a), **provided that** the Trustee has received an Exercise Notice from the Obligor under the Sale Undertaking obliging the Trustee to redeem the Certificates (the "**Change of Control Call Option**"), the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (such notice to be given within 30 days of the Change of Control Put Option Date), redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Distribution Amount on the Change of Control Put Option Date. Upon payment in full of such amounts to the Certificateholders: (i) the Trust will be dissolved; (ii) the Certificates shall cease to represent undivided ownership interests in the Trust Assets; and (iii) no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) To exercise the option described in Condition 10.3(a), the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deposit this Certificate with the Registrar or any Transfer Agent at its specified office, together with a duly completed Change of Control Put Notice in the form obtainable from the Registrar within the relevant period. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

10.4 **Dissolution at the option of the Obligor (Make Whole Amounts)**

Upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale Undertaking, the Certificates shall be redeemed by the Trustee in whole, but not in part, on the date specified in the Exercise Notice (an "**Optional Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (which notice shall be irrevocable), at the Optional Dissolution Distribution Amount,

provided, however, that no such notice of redemption shall be given:

(a) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor in accordance with the Sale Undertaking; and

(b) redemption shall fall on a Periodic Distribution Date.

Upon the expiry of any such notice given in accordance with this Condition 10.4, and payment in full of the Optional Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust and the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

10.5 **Dissolution following a Total Loss Event**

Following the occurrence of a Total Loss Event (and unless the Usufruct over the Wakala Assets has been replaced in accordance with the terms of the Service Agency Agreement), the proceeds of the insurances (including any Total Loss Shortfall Amount) will be immediately credited to the Transaction Account and will be used by the Trustee to: (i) redeem all (but not some only) of the Certificates at the Dissolution Distribution Amount on the Total Loss Dissolution Date; and (ii) dissolve the Trust. Upon such redemption and dissolution of the Trust, the Certificates will cease to represent undivided ownership interests in the Trust Assets, no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

Under the Service Agency Agreement, the Servicing Agent irrevocably undertakes to the Trustee, that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will:

(i) *be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and, accordingly, shall effect such insurances in respect of the Usufruct over the Wakala Assets (the "**Insurances**"), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event. The Servicing Agent undertakes to ensure that the aggregate of the insured amount relating to a Total Loss Event corresponding to the Usufruct over the Wakala Assets will, at all times, be at least equal to the Full Reinstatement Value;*

(ii) *promptly make a claim in respect of each loss relating to the Usufruct over the Wakala Assets in accordance with the terms of the Insurances; and*

(iii) *ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30th day after the occurrence of the Total Loss Event and that the relevant insurer(s) will be directed accordingly.*

*If the Servicing Agent fails to comply with the terms of Clause 3.2 of the Service Agency Agreement (as detailed immediately above) and the Usufruct over the Wakala Assets is not replaced as further described below and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. Subject to paying such Total Loss Shortfall Amount, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations. Any such breach will not, however, constitute an Obligor Event.*

*By no later than 30th day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over the further Eligible Wakala Asset(s) ("**Replacement Wakala Assets**") which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over relevant Wakala Assets which have suffered a Total Loss Event. Any such breach will not, however, constitute an Obligor Event.*

If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30th day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement substantially in the form, mutatis mutandis, of the Supplemental Purchase Agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the Purchase Price (as set out in the Supplemental Purchase Agreement).

10.6 **Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trust dissolved as more particularly specified in Condition 14.

10.7 **No Other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10, Condition 13 and Condition 14.

11. TAXATION

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the United Arab Emirates or the Emirate of Abu Dhabi, or any political subdivision thereof or any authority therein or thereof having power to tax ("**Taxes**"), unless the withholding or deduction of such Taxes is required by law. In such event, the Trustee will pay additional amounts as shall be necessary in order that the net amounts received by the Certificateholder after such withholding or deduction shall equal the respective amounts due and payable to any Certificateholder which would have otherwise been receivable in the absence of such withholding or deduction; except that no such additional amount shall be payable in relation to any payment to any Certificateholder:

(a) who is liable for such Taxes in respect of such Certificate by reason of having some connection with the Cayman Islands, the United Arab Emirates or the Emirate of Abu Dhabi, other than the mere holding of such Certificate; or

(b) where the definitive Certificate is required to be presented for payment and is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to an additional amount on such 30th day assuming that day to have been a Payment Business Day.

In these Conditions, references to the "**Dissolution Distribution Amount**", "**Optional Dissolution Distribution Amount**" or any "**Periodic Distribution Amount**" payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 11. In addition, in these Conditions "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Delegate, as the case may be, on or prior to such due date, the date on which the full amount of such moneys having been so received, notice to that effect is duly given to Certificateholders by the Trustee in accordance with Condition 18.

The Transaction Documents provide that payments thereunder by the Obligor to the Trustee shall be made without withholding or deduction for, or on account of, any present or future taxes, unless the withholding or deduction of the taxes is required by law and, in such case, provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee of such amount as would have been received by it if no withholding or deduction had been made.

Further, in accordance with the Declaration of Trust, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11, the Obligor unconditionally and irrevocably undertakes to (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such amounts as are necessary so that the amount receivable by the Delegate (after any withholding or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Conditions pursuant to this Condition 11.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be prescribed and become void unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9.

13. PURCHASE AND CANCELLATION OF CERTIFICATES

13.1 Purchases

The Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise.

13.2 **Cancellation of Certificates held by the Obligor and/or any of its Subsidiaries**

Certificates purchased by or on behalf of the Obligor or any Subsidiary of the Obligor may in the Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold.

14. **DISSOLUTION EVENTS**

Upon the occurrence and continuation of any of the following events (the "**Dissolution Events**"):

(a) default is made in the payment of:

(i) any Periodic Distribution Amount and such default continues for a period of 14 days from the due date for payment; or

(ii) the Dissolution Distribution Amount or, as the case may be, the Optional Dissolution Distribution Amount and such default continues for a period of seven days from the due date for payment; or

(b) the Trustee does not perform or comply with, any of its other obligations under the Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or

(c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or

(d) the Trustee is (or is, or could be, deemed by law or a court to be) adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or

(e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or

(f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

(g) it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents to which it is a party or any of the duties, obligations or undertakings of the Trustee under the Certificates or the Transaction Documents to which it is a party are not, or cease to, be legal, valid, binding and enforceable; or

(h) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate any Certificate or any Transaction Document to which it is a party; or

(i) any event occurs which under the laws of the Cayman Islands or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above; or

(j) an Obligor Event (as defined below) occurs,

the Delegate, upon receiving express notice in writing thereof, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders, the Delegate shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Trustee, the Obligor and the Certificateholders (a "**Dissolution Notice**") in accordance with Condition 18 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

Upon receipt of such Dissolution Notice, the Trustee (failing which, subject to being indemnified and/or pre-funded to its satisfaction, the Delegate) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof, to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Exercise Notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions,

"**Obligor Event**" shall mean each of the following events:

(a) if default is made by the Obligor (acting in any capacity) in the payment of: (A) an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of fourteen (14) Business Days; or (B) an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of seven (7) Business Days; or

(b) if the Obligor (acting in any capacity) fails to perform or observe any one or more of its other obligations under the Transaction Documents to which it is a party, which failure is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not, in the opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate on the Obligor of notice requiring the same to be remedied, except that a failure by the Obligor (acting in its capacity as Servicing Agent) to comply with its obligations set out in clauses 3.2 or 3.4 of the Service Agency Agreement will not constitute an Obligor Event; or

(c) if any Indebtedness or Sukuk Obligation of the Obligor or any Material Subsidiary is not paid when due nor within any originally applicable grace period or any such Indebtedness or Sukuk Obligation is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described) **provided, however, that** it shall not constitute an Obligor Event under this paragraph (c) unless the aggregate amount of all such Indebtedness and Sukuk Obligations shall be more than U.S.$40,000,000 (or its equivalent in any other currency or currencies); or

(d) if a secured party takes possession of, or a receiver, manager or similar officer is appointed over, all or substantially all of the undertaking or assets of the Obligor and its Subsidiaries taken as a whole; or

(e) if the Obligor or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, nationalisation, dissolution, administration or re-organisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of all or substantially all of its revenues and assets, except for the purposes of and followed by a Permitted Reorganisation; or

(f) if the Obligor or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of and followed by a Permitted Reorganisation; or

(g) if the Obligor or any of its Material Subsidiaries is (or is deemed by a court or any applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts or any class of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or any class of its debts, commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of its debts or any class of its debts or proposes or makes a general assignment for the benefit of or an arrangement or composition with its creditors in respect of such debts; or

(h) if any expropriation, attachment, sequestration, distress or execution made pursuant to a court order or judgment or arising by virtue of any law or regulation affects any asset or assets of the Obligor or any of the Obligor's Material Subsidiaries having an aggregate value of at least U.S.$40,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days; or

(i) if the Obligor or any of the Obligor's Material Subsidiaries fails to comply with or pay any sum which amount shall not be less than U.S.$40,000,000 (or its equivalent in any other currency or currencies) due from it under any final non-appealable judgment or any final non-appealable order made or given by any court of competent jurisdiction and such failure continues for a period of 60 days next following the service by the Delegate on the Obligor of notice requiring the same to be paid/remedied; or

(j) if: (i) the Obligor or any liquidator of the Obligor repudiates or disclaims any responsibility under any Transaction Document to which it is a party; or (ii) at any time it is or becomes unlawful for the Obligor to perform or comply with any or all of its obligations under or in respect of the Transaction Documents to which it is a party or any of the material obligations of the Obligor thereunder are not or cease to be legal, valid and binding obligations; or

(k) if any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events described in (e) and (g) above,

provided, however, that, in the case of paragraph (a) above, such event will only constitute an Obligor Event if the Delegate has certified in writing to the Trustee and the Obligor that such event, in its opinion, is materially prejudicial to the interests of Certificateholders.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

15.1 If, following the occurrence of a Dissolution Event and delivery of a Dissolution Notice, any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 14), the Trustee or the Delegate, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, may take one or more of the following steps:

(a) enforce the provisions of the Transaction Documents against the Obligor; and/or

(b) take such other actions or steps or institute such proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

15.2 No Certificateholder shall be entitled to proceed directly against the Trustee or to direct the Trustee to proceed against the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. The Delegate and the Certificateholders shall only be entitled to deal with the Trust Assets as expressly permitted by the Transaction Documents and the sole right of the Delegate and the Certificateholders against the Trustee or the Obligor shall be to enforce their respective obligations under the Transaction Documents.

16. REALISATION OF TRUST ASSETS

16.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the Trust Assets or take any action, step or proceeding against the Trustee and/or the Obligor under any Certificate or any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates; or (iii) (in the case of the Trustee only) by the Delegate, and in any such case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.2 Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

16.3 The foregoing provisions of this Condition 16 are subject to this Condition 16.3. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 6.2, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such unpaid sums shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

17. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the costs and expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered to the Registrar before replacements will be issued.

18. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times) approved by the Delegate; or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Any notice shall be deemed to have been given on the day (being a day other than a Saturday or Sunday) after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the relevant notice may be delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

19. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

19.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust or any other Transaction Document. Such a meeting shall be convened by the Trustee on written requisition in the English language by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*: (i) to modify any date for payment in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to alter the currency of payment or denomination of the Certificates; (iv) to amend Condition 8; (v) to change any of the Trustee's and the Obligor's respective covenants set out in, and the Obligor's obligations to make payment under, the Conditions and the Transaction Documents to which they a party, respectively; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or to alter the majority required to pass an Extraordinary Resolution; (vii) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.9(i) and 5.9(j) of Schedule 4 to the Declaration of Trust; or (viii) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust (each, a "**Reserved Matter**"), in which case the quorum shall be two or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires: (i) a majority in favour consisting of not less than 75 per cent. of the votes cast; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a "**Written Resolution**"); or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an "**Electronic Consent**"). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.

19.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

19.3 The Delegate may (but shall not be obliged to), without the consent or sanction of the Certificateholders: (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-quarter of the outstanding aggregate face amount of the Certificates.

19.4 In connection with the exercise by it of any of its powers, authorities and discretions under the Declaration of Trust (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of Certificateholders as a class and shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor, the Delegate or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

19.5 Any modification, waiver, authorisation or determination shall be binding on Certificateholders and, unless the Delegate otherwise decides, shall as soon as practicable thereafter be notified by the Trustee to the Certificateholders in accordance with Condition 18.

20. INDEMNIFICATION AND LIABILITY OF THE DELEGATE

20.1 The Trustee will in the Declaration of Trust irrevocably and unconditionally with effect from the date of the Declaration of Trust appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event and subject to its being indemnified and/or secured and/or prefunded to its satisfaction to exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** no obligations, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation, **provided further that** in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, authority or discretion to hold any of the Trust Assets, to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate (save as provided in the Declaration of Trust). The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

20.2 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so by an Extraordinary Resolution or in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates then outstanding, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

20.3 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Trustee or the Obligor under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Trustee or the Obligor but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

20.4 The Delegate may rely (without liability to any person) on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

20.5 Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them (as applicable) may be guilty in relation to their duties under the Declaration of Trust.

20.6 The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event has occurred or exists and, unless and until it shall have received express notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to any person for so doing).

21. FURTHER ISSUES

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional Certificates having the same terms and conditions as the outstanding Certificates on terms and conditions which are the same in all respects, save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single series with the outstanding Certificates. Any additional Certificates which are to form a single series with the outstanding Certificates previously constituted by the Declaration of Trust shall be constituted by a Supplemental Declaration of Trust. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single series with the Certificates.

22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 (the "**Act**") to enforce any term of these Conditions, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

23. GOVERNING LAW AND DISPUTE RESOLUTION

23.1 Governing Law

The Declaration of Trust and the Certificates, including any non-contractual obligations arising out of or in connection with, the Declaration of Trust and the Certificates, shall be governed by, and construed in accordance with, English law.

23.2 Arbitration

Subject to Condition 23.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust and the Certificates (including any dispute, claim, difference or controversy regarding its existence, validity, interpretation, performance, breach or termination of the Declaration of Trust and the Certificates or this Condition 23.2 or the consequences of their nullity or any dispute relating to any non-contractual obligations arising out of or in connection with it) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the arbitration rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

(a) the seat of arbitration shall be London, England;

(b) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA (as defined in the Rules); and

(c) the language of the arbitration shall be English.

23.3 **Option to litigate**

Notwithstanding Condition 23.2, the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee or the Obligor:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.5 and, subject as provided below, any arbitration commenced under Condition 23.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

23.4 **Notice to Terminate**

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(b) his entitlement to be paid his proper fees and disbursements; and

(c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

23.5 **Effect of Exercise of Option to Litigate**

In the event that a notice pursuant to Condition 23.3 is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Obligor submits to the exclusive jurisdiction of such courts;

(b) each of the Trustee and the Obligor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 23.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraph (a) above, to the extent allowed by law, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

23.6 **Service of Process**

Each of the Trustee and the Obligor irrevocably appoints Maples and Calder of 11th Floor, 200 Aldersgate Street, London to receive for it and on its behalf, service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or the Obligor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and the Obligor irrevocably agrees to appoint a substitute process agent, and shall immediately notify the other party of such appointment. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

23.7 **Waiver of Immunity**

The Obligor has agreed in the Declaration of Trust, to the extent that the Obligor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or its assets or revenues, not to claim and has irrevocably and unconditionally waived such immunity to the fullest extent permitted by the laws of such jurisdiction. Further, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings. However, notwithstanding the foregoing, the Obligor expressly disclaims whether Article 247 of the United Arab Emirates Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property and the provisions of this Condition 23.7 shall be read subject to Article 247.

23.8 **Waiver of Interest**

(a) Each of the Trustee and the Obligor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith, whether as a result of any judicial award or by operation of any applicable law or otherwise. Each party is required to waive any rights it may have to claim or receive such interest and agrees that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

(b) For the avoidance of doubt, nothing in this Condition 23.8 shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, the Expected Wakala Portfolio Revenues Amount, Required Amounts, Periodic Distribution Amounts, Instalment Profit Amounts, Profit Amounts, Exercise Price, Change of Control Exercise Price, Dissolution Distribution Amounts, Optional Dissolution Distribution Amounts, Deferred Sale Price or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions or any other document or agreement, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

GLOBAL CERTIFICATE

The Global Certificate contains certain provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

Form of the Certificates

The Certificates will be represented by beneficial interests in a Global Certificate in registered form. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and will be registered in the name of a nominee for the Common Depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive Individual Certificates (as defined below).

Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions Certificateholder and holder of Certificates and related expressions shall be construed accordingly. In addition, holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for payment (where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount, Optional Dissolution Distribution Amount and Periodic Distribution Amounts in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made. Holders of ownership interests in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates.

Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system, as the case may be, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders or otherwise to the holder of the Global Certificate rather than by publication as required by the Conditions except that, so long as the Certificates are listed, traded or quoted on any stock exchange or securities market, notices shall also be published in accordance with the rules of the relevant listing authority, stock exchange, securities market and/or quotation system. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of the relevant nominee for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount, Dissolution Distribution Amount or Optional Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Exchange for Individual Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Individual Certificates.

In this Prospectus, "**Individual Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in Part 1 of the Schedule to the Declaration of Trust.

USE OF PROCEEDS

The estimated net proceeds of the issue of the Certificates are expected to be approximately U.S.$497,745,000, and the proceeds will be applied by the Trustee in the following proportion: (i) not less than 51 per cent. to the Obligor as the Purchase Price for the purchase of the Usufruct over the Wakala Assets comprising the Initial Wakala Portfolio; and (ii) the remaining being not more than 49 per cent., for the purchase and subsequent sale of commodities to the Obligor pursuant to the Murabaha Agreement. The Obligor shall use the Purchase Price and the funds received from its on-sale of the commodities for its general corporate purposes and to partially fund the purchase price payable to Aldar in respect of the properties acquired from it.

DESCRIPTION OF THE TRUSTEE

General

The Trustee is an exempted company with limited liability incorporated on 11 September 2019 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 355252. The Trustee has been established for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents to which it is a party. The registered office of the Trustee is MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

Share Capital

The authorised share capital of the Trustee is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of the Share Declaration of Trust under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 11 September 2019.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

Name:	**Principal Occupation:**
Sedef Kufrevi	Vice President, Fiduciary at Maples Fund Services (Middle East) Limited
Stacy Bodden	Vice President at MaplesFS Limited

The business address of Sedef Kufrevi is c/o Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Stacy Bodden is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

Conflicts

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Administrator

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at http://www.maples.com/terms (the "**Registered Office Terms**"). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party and, in the case of the Corporate Services Agreement, with a copy to any applicable rating agency.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors. The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 of the Cayman Islands (the "**DPL**") on 18 May 2017 and it is expected to be brought into force on 30 September 2019. The DPL introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPL. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPL to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements and should also be read in conjunction with "Financial review".

See also "Presentation of financial and other information" for a discussion of the nature of carve-out financial statements and the sources of the numbers contained in this section.

Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements.

All information in this section as at 30 June 2019 and for each of the six months ended 30 June 2019 and 30 June 2018 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

STATEMENT OF FINANCIAL POSITION DATA AND CARVE-OUT STATEMENT OF FINANCIAL POSITION DATA

The table below shows Aldar Investments' statement of financial position data and carve-out statement of financial position data as at 30 June 2019 and as at 31 December in each of 2018, 2017 and 2016.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
			(AED thousands)	
ASSETS				
Non-current assets				
Property, plant and equipment	2,963,142	3,044,822	2,093,036	2,300,456
Intangible assets	1,045	1,157	782	528
Investment properties	16,393,778	15,516,830	14,097,961	13,548,635
Other financial assets	—	8,481	—	—
Total non-current assets	**19,357,965**	**18,571,290**	**16,191,779**	**15,849,619**
Current assets				
Inventories	10,347	13,198	91,079	90,975
Trade and other receivables	528,572	415,016	285,915	289,306
Due from the Ultimate Parent	187,947	8,526	—	—
Cash and bank balances	625,149	246,242	180,084	221,143
Total current assets	**1,352,015**	**682,982**	**557,078**	**601,424**
Total assets	**20,709,980**	**19,254,272**	**16,748,857**	**16,451,043**
EQUITY AND LIABILITIES				
Equity				
Capital	1	1	—	—
Retained earnings	299,590	(67,780)	—	—
Net investment by the Ultimate Parent	—	—	10,216,011	10,303,411
Capital contributions	11,976,642	10,987,708	—	—
Hedging reserve	(19,215)	61,404	(5,748)	—
Non-controlling interests	68,821	68,528	—	—
Total equity	**12,325,839**	**11,049,861**	**10,210,263**	**10,303,411**
Non-current liabilities				
Non-convertible sukuk	1,808,163	1,810,140	—	2,749,189
Bank borrowings	2,289,089	2,287,713	1,820,273	1,615,434
Corporate loan from the Ultimate Parent	3,000,000	2,759,214	—	—
Lease liability	213,922	244,842	225,478	246,828
Employees' end of service benefits	—	—	14,133	14,301
Other financial liability	71,735	5,543	5,748	—
Total non-current liabilities	**7,382,909**	**7,107,452**	**2,065,632**	**4,625,752**
Current liabilities				
Non-convertible sukuk	22,538	21,811	2,762,570	9,983
Bank borrowings	10,407	10,370	815,507	634,824
Lease liability	50,759	44,526	20,331	9,871
Advances and security deposits	220,002	216,437	193,669	171,013
Due to the Ultimate Parent	—	39,359	—	—

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
			(AED thousands)	
Trade and other payables	697,526	764,456	680,885	696,189
Total current liabilities	**1,001,232**	**1,096,959**	**4,472,962**	**1, 521,880**
Total liabilities	**8,384,141**	**8,204,411**	**6,538,594**	**6,147,632**
Total equity and liabilities	**20,709,980**	**19,254,272**	**16,748,857**	**16,451,043**

STATEMENT OF INCOME DATA AND CARVE-OUT STATEMENT OF INCOME DATA

The table below shows Aldar Investments' statement of income data and carve-out statement of income data for each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June	
	2019	2018
	(AED thousands)	
Revenue	1,147,604	918,447
Direct costs	(452,642)	(314,692)
Gross profit	**694,962**	**603,755**
Management fee for Ultimate Parent	(45,614)	—
Selling and marketing expenses	—	(3,673)
General and administrative expenses:	—	—
Staff costs	—	(26,493)
Depreciation and amortisation	(100,243)	(58,785)
(Provisions, impairments and write downs), net	(15,870)	(7,789)
Others	—	(4,752)
Gain on disposal of an investment property	17,690	—
Fair value loss on investment properties	(41,275)	(190,804)
Finance income	6,324	—
Finance costs	(148,311)	(115,038)
Profit for the period	**367,663**	**196,421**

The table below shows Aldar Investments' statement of income data and carve-out statement of income data for each of 2018, 2017 and 2016.

	Year ended 31 December		
	2018	2017	2016
		(AED thousands)	
Revenue	1,828,997	1,878,678	1,958,744
Costs of revenue	(640,389)	(655,617)	(681,539)
Gross profit	**1,188,608**	**1,223,061**	**1,277,205**
Management fee for Ultimate Parent	(39,359)	—	—
Selling and marketing expenses	(3,673)	(8,846)	(9,195)
General and administrative expenses:			
Staff costs	(26,333)	(58,873)	(57,476)
Depreciation and amortisation	(108,876)	(113,978)	(122,861)
Provisions, impairments and write downs, net	(16,577)	(42,835)	(31,514)
Others	(21,643)	(12,055)	(8,528)
Gain on disposal of investment properties	—	3,835	14,409
Fair value (loss)/gain on investment properties, net	(670,077)	(459,013)	(127,072)
Finance income	45	10,062	—
Finance costs	(187,946)	(218,285)	(208,842)
Other income	14,472	—	—
Profit for the year	**128,641**	**323,073**	**726,126**

STATEMENT OF COMPREHENSIVE INCOME DATA AND CARVE-OUT STATEMENT OF COMPREHENSIVE INCOME DATA

The table below shows Aldar Investments' statement of comprehensive income data and carve-out statement of comprehensive income data for each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June	
	2019	2018
	(AED thousands)	
Profit for the period	367,663	196,421

	Six months ended 30 June	
	2019	2018
	(AED thousands)	
Other comprehensive income (loss) to be reclassified to the income statement in subsequent periods:		
Changes in fair value of cash flow hedges	(80,619)	73,825
Other comprehensive (loss)/income for the period	**(80,619)**	**73,825**
Total comprehensive income for the period	**287,044**	**270,246**

The table below shows Aldar Investments' statement of comprehensive income data and carve-out statement of comprehensive income data for each of 2018, 2017 and 2016.

	2018	2017	2016
		(AED thousands)	
Profit for the year	128,641	323,073	726,126
Other comprehensive loss to be reclassified to the income statement in subsequent periods:			
Changes in fair value of cash flow hedges	67,152	(5,748)	—
Other comprehensive loss for the year	**67,152**	**(5,748)**	—
Total comprehensive income for the year	**195,793**	**317,325**	**726,126**

STATEMENT OF CASH FLOWS DATA AND CARVE-OUT STATEMENT OF CASH FLOWS DATA

The table below summarises Aldar Investments' statement of cash flows data and carve-out statement of cash flows data for each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June	
	2019	2018
	(AED thousands)	
Net cash generated from operating activities	458,615	396,497
Net cash generated from/(used in) investing activities	250,823	(130,620)
Net cash used in financing activities	(330,531)	(327,420)
Cash and cash equivalents at 1 January	246,242	180,084
Cash and cash equivalents at 30 June	625,149	118,541

The table below summarises Aldar Investments' statement of cash flows data and carve-out statement of cash flows data for each of 2018, 2017 and 2016.

	2018	2017	2016
		(AED thousands)	
Net cash generated from operating activities	1,143,123	1,148,731	1,063,885
Net cash used in investing activities	(184,157)	(919,733)	(64,791)
Net cash used in financing activities	(892,808)	(264,996)	(1,013,415)
Cash and cash equivalents at 1 January	180,084	216,082	230,403
Cash and cash equivalents at 31 December	246,242	180,084	216,082

SELECTED RATIOS

The table below shows selected ratios for Aldar Investments as at, and for the six months ended, 30 June in each of 2019 and 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. The financial ratios set out below are all APMs.

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Operating ratios					
Weighted average unexpired lease terms[(1)]:					
Retail property portfolio (*years*)	3.3	3.7	3.5	4.1	—
Residential property portfolio (*years*)	5.7	4.6	4.2	3.9	—
Commercial property portfolio (*years*)	5.8	4.7	3.7	5.4	—
Occupancy rates[(2)]:					
Retail property portfolio (*per cent.*)	90	87	88	89	88
Residential property portfolio (*per cent.*)	88	91	88	91	92
Commercial property portfolio (*per cent*)	92	91	94	87	100
Hotel properties (*per cent.*)	77	73	73	78	76

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Financial ratios					
Gross profit margins[3]					
Investment properties (*per cent.*)................................	80.5	80.8	80.0	80.3	80.9
Hospitality and leisure (*per cent.*)	17.2	13.4	19.2	20.7	21.0
Cooling assets (*per cent.*)	43.9	—	—	—	—
Total (*per cent.*)..	60.6	65.7	65.0	65.1	65.2
Adjusted EBITDA and Carve-Out Adjusted EBITDA[4] (*AED thousand*)....................................	651,168	561,048	1,066,079	1,137,003	1,218,484
Loan to value ratio[5] (*per cent.*)	36.8	31.2	37.1	33.3	31.6
Tangible net worth[6] (*AED billion*)............................	12.3	10.7	11.0	10.2	10.3

(1) Calculated based on value rather than area. Equivalent data as at 31 December 2016 is not available.

(2) Calculated as leased area divided by total available area, in each case as at 31 December or 30 June, as the case may be, and expressed as a percentage.

(3) Calculated as gross profit for the relevant business segment divided by gross revenue for the relevant business segment, in each case as shown in note 25.1 to the Carve-Out Financial Statements, note 29.1 to the 2018 Financial Statements and note 15 to the Interim Financial Statements. The total gross profit margin is calculated as gross profit divided by gross revenue.

(4) Calculated as profit for the period before finance costs, finance income, depreciation and amortisation, impairment charges on property, plant and equipment, and fair value gain or loss on investment properties.

(5) Calculated as total borrowings outstanding divided by the total value of Aldar Investments' asset management portfolio which is the sum of the fair value of its investment properties and the book value of its property and equipment. This APM is included because Aldar Investments' policy is to maintain this ratio below 40 per cent.

(6) Calculated as total assets less total liabilities. This APM is included because Aldar Investments has covenanted in certain of its borrowings to maintain a minimum tangible net worth of AED 4 billion.

ADJUSTED EBITDA AND CARVE-OUT ADJUSTED EBITDA

Adjusted EBITDA and Carve-Out Adjusted EBITDA has been calculated as profit for the period/year adjusted to add back or subtract, as the case may be, finance costs, finance income, depreciation, amortisation, impairment charges on property, plant and equipment and fair value loss on investment properties, all as recorded in the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements. Each of Adjusted EBITDA and Carve-Out Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The table below shows a reconciliation of Aldar Investments' Adjusted EBITDA and Carve-Out Adjusted EBITDA to its profit for each of the six months ended 30 June 2019 and 30 June 2018 and for each of 2018, 2017 and 2016.

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
			(*AED thousands*)		
Profit for the period/year..	367,663	196,421	128,641	323,073	726,126
Add/(subtract):					
Depreciation and amortization	100,243	58,785	108,876	113,978	122,861
Finance costs...	148,311	115,038	187,946	218,285	208,842
Finance income	(6,324)	—	(45)	(10,062)	—
Impairment charges on property, plant and equipment	—	—	(29,416)	32,716	33,583
Fair value loss on investment properties......................	41,275	190,804	670,077	459,013	127,072
Adjusted EBITDA..	**651,168**	**561,048**	**1,066,079**	**1,137,003**	**1,218,484**

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Selected financial information" and the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements.

The discussion of Aldar Investments' financial condition and results of operations is based upon the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. Aldar Investments' actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary note regarding forward-looking statements" and "Risk factors".

Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business of Aldar.

See "Presentation of financial and other information" for a discussion of the nature of carve-out financial statements and the source of the numbers presented in this section.

All information in this section as at 30 June 2019 and for each of the six months ended 30 June 2019 and 30 June 2018 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

OVERVIEW

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but undrawn debt facilities. This business had total assets of AED 20.7 billion as at 30 June 2019 and principally comprised yielding investment properties and operating businesses.

As at 30 June 2019, Aldar Investments owned and managed a portfolio of 28 retail properties, 5,621 residential units in 11 separate developments, 12 commercial properties, 14 hospitality properties (comprising nine hotels, one serviced apartment building, three golf courses and a beach club) and two cooling assets with a view to growing the income from, and optimising the value of, these assets.

As at 30 June 2019, Aldar Investments had three main sources of revenue:

- rental income from the tenants of its investment properties, which amounted to 64.8 per cent. of its revenue (excluding service charges) in the six months ended 30 June 2019 and to 73.8 per cent. in 2018, 72.9 per cent. in 2017 and 72.2 per cent. in 2016;
- income from the guests who stay in its hospitality properties, which amounted to 30.5 per cent. of its revenue in the six months ended 30 June 2019 and to 26.2 per cent. in 2018, 27.1 per cent. in 2017 and 27.8 per cent. in 2016; and
- income from its two district cooling plants, a new revenue source in 2019 which made up the balance of Aldar Investments' revenue (excluding service charges) in the six months ended 30 June 2019.

Aldar Investments' investment properties are leased under contracts with terms ranging from one year to 30 years. This gives it a significant degree of visibility on future revenue from committed lease payments, which amounted to AED 3,406 million as at 30 June 2019, AED 2,243 million as at 31 December 2018, AED 2,346 million as at 31 December 2017 and AED 1,978 million as at 31 December 2016.

Aldar Investments is currently focusing on maximising the performance and value of its portfolio of properties, pursuing portfolio growth opportunities through acquisitions and, where appropriate, monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation. Aldar Investments also intends to acquire the Aldar Properties Expected to be Acquired from Aldar.

As at 30 June 2019, Aldar Investments' total assets amounted to AED 20.7 billion, of which investment properties comprised AED 16.4 billion, or 79.2 per cent., and property, plant and equipment, the major component of which is Aldar Investments' hospitality properties, comprised AED 3.0 billion, or 14.3 per cent. In 2018, Aldar Investments' revenue (excluding service charge which is both a revenue and a cost of revenue item) was AED 1,722 million compared to AED 1,769 million in 2017 and AED 1,842 million in 2016 and its profit for the year was AED 129 million in 2018 compared to AED 323 million in 2017 and AED 726 million in 2016. Aldar Investments' Adjusted EBITDA was AED 1,066 million in 2018 compared to AED 1,137 million in 2017 and its Carve-Out Adjusted EBITDA was AED 1,218 million in 2016. In the six months ended 30 June 2019 and 30 June 2018, Aldar Investments' revenue (excluding service charge) was AED 1,089 million and AED 865 million, respectively, and its profit for the period was AED 368 million and AED 196 million, respectively. Aldar Investments' Adjusted EBITDA was AED 651 million in the six months ended 30 June 2019 and AED 561 million in the six months ended 30 June 2018.

REVENUE RECOGNITION

Aldar Investments recognises revenue from contracts with customers based on a five-step model:

- 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 Aldar Investments 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, Aldar Investments allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which Aldar Investments expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: recognise revenue when (or as) Aldar Investments satisfies a performance obligation.

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

(a) Aldar Investments' performance does not create an asset with an alternate use to Aldar Investments and Aldar Investments has as an enforceable right to payment for performance completed to date.

(b) Aldar Investments' 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 Aldar Investments' performance as Aldar Investments 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 Aldar Investments satisfies a performance obligation by delivering the promised goods or services it creates a contract asset equal to 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. Aldar Investments 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 Aldar Investments and the revenue and costs, if applicable, can be measured reliably.

In relation to its investment properties, Aldar Investments categorises the leases where it acts as lessor as either operating leases or finance leases, with the vast majority being operating leases. Aldar Investments recognises lease revenue from its operating leases on a straight-line basis over the relevant lease term whilst finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Aldar Investments' net investment in the relevant lease.

Aldar Investments' hospitality and leisure income comprises revenue from rooms, golf and beach club fees, food and beverages and other services provided and is recognised as described above.

Aldar Investments' cooling assets revenue principally comprises both a fixed capacity charge and a variable consumption charge.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, Aldar Investments' results of operations.

Revenue

Revenue from investment properties

Aldar Investments' revenue is principally derived from rental payments from the tenants of its investment properties. This revenue stream amounted to 64.8 per cent. of its revenue (excluding service charges) in the six months ended 30 June 2019 compared to 76.3 per cent. in the six months ended 30 June 2018 and was 73.8 per cent. in 2018, 72.9 per cent. in 2017 and 72.2 per cent. in 2016. Aldar Investments' revenue from its investment properties (excluding service charges) was AED 706 million in the six months ended 30 June 2019, AED 659 million in the six months ended 30 June 2018, AED 1,271 million in 2018, AED 1,289 million in 2017 and AED 1,330 million in 2016. For a discussion of the reasons for the changes in the amount of Aldar Investments' revenue from investment properties in each period, see "*—Results of operations—Six months ended 30 June 2019 compared to six months ended 30 June 2018—Gross profit*", "*—Results of operations—Comparison of 2018 and 2017—Gross profit*" and "*—Results of operations—Comparison of 2017 and 2016—Gross profit*" below.

Aldar Investments' investment properties are leased under contracts with terms ranging from one year to 30 years. This gives it a significant degree of visibility on future revenue from committed lease payments. The table shows the amounts and timing of Aldar Investments' committed future lease payment inflows as at 30 June 2019 and as at 31 December in each of 2018, 2017 and 2016.

	As at 30 June	**As at 31 December**		
	2019	**2018**	**2017**	**2016**
		(AED thousands)		
Within one year	656,856	630,514	627,045	535,268
In the second to fifth years	1,379,827	1,116,588	1,179,352	1,020,158
After five years	1,368,838	495,725	539,467	422,722
Total	**3,405,521**	**2,242,827**	**2,345,864**	**1,978,148**

Revenue from hospitality properties

Aldar Investments' revenue from hospitality properties reflects payments from its guests for room use, food and beverages, golf club and beach use and other services provided. This revenue stream amounted to 30.5 per cent. of Aldar Investments' revenue (excluding service charges) in the six months ended 30 June 2019 compared to 23.7 per cent. in the six months ended 30 June 2018 and to 26.2 per cent. in 2018, 27.1 per cent. in 2017 and 27.8 per cent. in 2016. Aldar Investments' revenue from its hospitality properties was AED 332 million in the six months ended 30 June 2019, AED 205 million in the six months ended 30 June

2018, AED 451 million in 2018, AED 480 million in 2017 and AED 512 million in 2016. For a discussion of the reasons for the decline in the amount of Aldar Investments' revenue from hospitality properties in each year, see "*—Results of operations—Six months ended 30 June 2019 compared to six months ended 30 June 2018—Gross profit*", "*—Results of operations—Comparison of 2018 and 2017—Gross profit*" and "*—Results of operations—Comparison of 2017 and 2016—Gross profit*" below.

Revenue from cooling assets

Aldar Investments revenue from cooling assets principally comprises fixed capacity charges for cooling capacity reserved to a customer (which covers all fixed costs and provides a return on capital) and variable consumption charges based on metered usage (which typically cover all variable costs of operation with utility costs, such as fuel and water, being charged on a pass-through basis). This revenue stream commenced in 2019 and amounted to 4.6 per cent. of Aldar Investments' revenue (excluding service charges) in the six months ended 30 June 2019, see "*—Results of operations—Six months ended 30 June 2019 compared to six months ended 30 June 2018—Gross profit*".

Changes in the composition of Aldar Investments' portfolio of properties

Aldar Investments' revenue is significantly impacted by changes in the number of its investment and hospitality properties, which drive the number of its residential units and hotel keys and its total GLA, as well as by changes in its occupancy rates and in the average rental and the revenue per available room ("**RevPAR**") that it is able to achieve.

The table below sets out certain of this information for Aldar Investments as at 30 June 2019 and as at 31 December in each of 2018 and 2017.

	As at 30 June 2019			
	No. of properties[1]	**No. of units / keys**	**Total GLA (m^2)**	**Occupancy[2] (%)**
Retail	28	—	473,605	90
Residential	11	5,621	—	88
Commercial[3]	12	—	250,350	91
Investment properties	**51**	**—**	**723,955**	**90**
Hotel properties[4]	10	2,764	—	77
Other hospitality properties	4	—	—	—
District cooling	2	—	—	—
Total	**67**	**—**	**—**	**—**

	As at 31 December 2018			
	No. of properties[1]	**No. of units / keys**	**Total GLA (m^2)**	**Occupancy[2] (%)**
Retail	27	—	432,000	88
Residential	11	5,084	—	88
Commercial[3]	12	—	237,995	93
Investment properties	**50**		**669,995**	**90**
Hotel properties	10	2,764	—	73
Other hospitality properties	4	—	—	—
District cooling	2	—	—	—
Total	**66**	**—**	**—**	**—**

	As at 31 December 2017			
	No. of properties[1]	**No. of units / keys**	**Total GLA (m^2)**	**Occupancy[2] (%)**
Retail	13	—	373,000	89
Residential	9	4,812	—	91
Commercial[3]	8	—	199,613	89
Investment properties	**31**	**4,812**	**572,613**	**—**

	As at 31 December 2017			
	No. of properties[1]	**No. of units / keys**	**Total GLA (m^2)**	**Occupancy[2] (%)**
Hotel properties	8	2,370	—	78
Total	**39**	—	—	—

(1) In some cases Aldar Investments owns an entire property. In others, it simply owns a proportion of the units within a property. In some cases, Aldar Investments only has leasehold title to a property.
(2) Calculated as leased area divided by total available area as at 30 June 2019 or as at 31 December in the year stated, as the case may be, and expressed as a percentage.
(3) Comprises office buildings and Repton School.

Developments in the first six months of 2019

On 13 March 2019, Al Jimi Mall was relaunched following the completion of extension and renovation works that added 33,000 m^2 GLA to the existing 44,000 m^2 GLA across the mall, which now includes over 200 retail outlets.

On 19 March 2019, Aldar Investments completed the sale of a residential building, Al Murjan Tower, in a transaction with a value of AED 289 million. The building was sold with an implied yield of 6.6 per cent., which reflects the quality of the asset and its sustained operational performance under Aldar Investments' asset management platform. The building comprises 252 residential units across 23 floors, 1,022 m^2 of ground floor GLA and 1,481 m^2 of office GLA. This transaction demonstrates Aldar Investments' strategy to monetise mature recurring revenue assets to unlock value and recycle capital.

On 29 February 2019, Aldar acquired full ownership of Etihad Plaza and Etihad Airways Centre in an AED 1.2 billion transaction, as part of an unwinding of three existing joint venture agreements with Etihad, that also resulted in Etihad taking full ownership of its headquarters. The acquisition added 789 residential units, 18,000 m^2 GLA of commercial office and 11,000 m^2 GLA of retail space across the two properties, Etihad Plaza and Etihad Airways Centre, that are leased on long-term existing contracts with Etihad. On 30 June 2019, Aldar Investments acquired from Aldar both Etihad Plaza and Etihad Airways Centre. The acquisition by Aldar Investments from Aldar was funded through a combination of debt and equity.

Developments in 2018

In June 2018, Aldar acquired a portfolio of real estate assets worth AED 3.6 billion from Tourism Development Investment Corporation PJSC ("**TDIC**"). The portfolio included (i) recurring revenue assets within a range of sectors, including retail, residential, commercial, hospitality and district cooling, (ii) a portfolio of projects under development and (iii) plots of land.

Effective 31 December 2018, Aldar Investments acquired or agreed to acquire 22 of the recurring revenue assets from Aldar, with a value of AED 2.8 billion, complementing Aldar Investments' existing portfolio. These assets included:

Investment properties:

- 272 residential units across two assets;
- 81,000 m^2 of commercial office GLA across two assets and two operative villages; and
- 59,000 m^2 GLA of retail GLA across eight assets.

Operating businesses:

- 394 hotel keys across two hotel properties, three golf clubs and a beach club; and
- two district cooling plants.

Three of the assets are held under long-term leasehold agreements. These are the two operative villages, which have leases expiring between 2028-2036 and one of the eight retail assets, which has a lease expiring in 2056. In addition, one of the two district cooling assets is operated under a concession agreement which is 85 per cent. owned by Aldar Investments and which will determine in 2040.

The acquisition by Aldar Investments was funded through a combination of equity and debt, including the revolving loan provided by Aldar.

Developments in 2017

In 2017, Aldar Investments acquired the International Tower, which had 39,000 m^2 of GLA for office use.

Changes in the fair value of Aldar Investments' investment properties

Aldar Investments' investment properties comprise its portfolio of retail, residential and commercial properties which it leases to tenants. Aldar Investments' investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, Aldar Investments' investment properties are measured at fair value on each reporting date. The determination of the fair value of each investment property requires significant judgment and is based on a number of key estimates, see "—*Critical accounting judgments and key sources of estimation uncertainty*" below.

The fair value of Aldar Investments' investment properties is determined by independent real estate valuation experts mainly using the income capitalisation approach under which 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.

Under the residual value method, which is used for some properties, the independent real estate valuation expert is required to use estimates, such as future cash flows from assets (for example selling and leasing rates and future revenue streams) and appropriate rates of return. These estimates are based on local market conditions existing at the end of the relevant reporting period.

Gains or losses arising from changes in the fair value of the investment property concerned are recorded as gains or losses in the fair value of investment properties in the income statement for the period concerned. Once a determination of the fair value of an investment property has been made, changes in the fair value may occur for a number of reasons, including changes in market conditions (in particular market rental rates and demand for similar properties) and changes in the methodology used by management to determine fair value. As at 30 June 2019, Aldar Investments had investment properties valued at AED 16,394 million on its balance sheet.

The determination of the fair value of investment property is based on certain assumptions made by Aldar Investments' management, which are subject to uncertainty and might differ materially from other valuations and the realisable value of such property. In addition, the continuing volatility in the global financial system and in the real estate industry has contributed to a significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at, 31 December 2018, 31 December 2017 and 31 December 2016, the valuers used their market knowledge and professional judgement and did not rely solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than that which exists in a more active market in estimating market values of investment property. See "*Risk factors—Risks Relating to Aldar Investments' investment properties and operating businesses—Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid*".

The table below shows the net changes in fair value of Aldar Investments' investment properties in each of the six months ended 30 June 2019 and 30 June 2018 and in each of 2018, 2017 and 2016.

	Six months ended 30 June				
	2019	2018	2018	2017	2016
			(AED thousands)		
Change in fair value	(41,275)	(190,804)	(670,077)	(459,013)	(127,072)

The changes in fair value recorded by Aldar Investments in each of 2018, 2017 and 2016 principally reflected the outcome of the independent valuations undertaken, whereas an internal impairment assessment was carried out for the six months ended 30 June 2019. The negative changes in valuation in the six months ended 30 June 2019 and in 2018, 2017 and 2016 were driven by:

- impairment of assets on short term leases in the six months ended 30 June 2019;

- an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken in the six months ended 30 June 2018; and;

- market softness across Aldar Investments' residential, office, retail and hospitality asset portfolios in 2018, 2017 and 2016.

These changes have had a significant impact on Aldar Investments' reported profit for each year.

It is possible that Aldar Investments could record significant fair value losses or gains in future periods as a result of the development of property rental rates and prices in Abu Dhabi over which it has no control or for other reasons.

In particular, in periods when market conditions are particularly challenging leading to pressure on rental pricing and non-renewal of leases of Aldar Investments' investment properties, this could result in lower profit and fair value losses in relation to those properties. To the extent that conditions experienced to date in 2019 remain poor, it is possible that Aldar Investments could experience some or all of these consequences in the half of 2019. Changes in the fair value of Aldar Investments' investment properties do not represent cash inflows or outflows.

Depreciation of, and impairment charges in relation to, Aldar Investments' hospitality properties and cooling assets

Aldar Investments' hospitality properties and cooling assets are classified as property, plant and equipment. As a result, they are recorded in its statement of financial position at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the hospitality property concerned. Subsequent costs related to the property are included in its carrying value (or recognised as a separate asset) only when it is probable that future economic benefits associated with the costs will flow to Aldar Investments and the costs can be reliably measured. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

Aldar Investments uses the straight line method to depreciate its hospitality properties over a period of 20 to 30 years and its cooling assets are depreciated over a period of 15-20 years.

The table below shows the depreciation and impairment charges in respect of Aldar Investments' hospitality properties in each of the six months ended 30 June 2019 and 30 June 2018 and in each of 2018, 2017 and 2016 and the carrying value of those properties as at 30 June 2019 and 2018 and as at 31 December in each of 2018, 2017 and 2016.

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
			(AED thousands)		
Depreciation	62,424	51,379	94,597	97,254	105,534
(Impairment)/reversal	—	—	(29,416)	32,716	33,583
Carrying amount	2,311,470	2,055,558	2,352,302	2,035,001	2,243,148

For a discussion of the reasons for the impairment charges made in respect of Aldar Investments' hospitality properties in each period, see "*—Results of operations—Six months ended 30 June 2019 compared to six months ended 30 June 2018—General and administrative expenses*" "*—Results of operations—Comparison of 2018 and 2017—General and administrative expenses*" and "*—Results of operations—Comparison of 2017 and 2016—General and administrative expenses*" below.

It is possible that Aldar Investments could record significant impairment charges in future periods as a result of adverse developments in the Abu Dhabi hospitality property market or cooling market over which it has no control or for other reasons. In particular, in periods when market conditions are particularly challenging leading to reduced occupancy and prices at its hospitality properties, this could result in lower profit and increased impairment charges in respect of Aldar Investments' hospitality properties. To the extent that conditions experienced to date in 2019 remain poor, it is possible that Aldar Investments could experience some or all of these consequences in the second half of 2019.

Depreciation and impairment charges in respect of Aldar Investments' hospitality properties and cooling assets do not represent cash inflows or outflows.

SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements have been prepared in accordance with IFRS. For a discussion of the accounting policies applied by Aldar Investments generally, see note 3 to the 2018 Financial Statements and note 3 to the Carve-Out Financial Statements.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing Aldar Investments' financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of Aldar Investments' assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and to evaluate the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements, see note 4 to each of the Interim Financial Statements, the 2018 Financial Statements and the Carve-Out Financial Statements. In the 2018 Financial Statements, this note identifies:

- the determination of the discount rate used for the initial measurement of lease liability where Aldar Investments is a lessee; and
- the classification of properties as investment properties; property, plant and equipment; and/or properties held for sale,

as the critical judgments and:

- the determination of the fair value of investment properties and properties under development;
- the determination of whether property, plant and equipment and capital work in progress are impaired;
- the determination of whether financial assets are impaired; and
- the determination of the useful lives of property, plant and equipment and intangible assets,

as the key sources of estimation uncertainty.

RESULTS OF OPERATIONS

Six months ended 30 June 2019 compared to six months ended 30 June 2018

Gross profit

Aldar Investments' gross profit represents the difference between its revenue and its direct costs. Aldar Investments' revenue is derived from (i) the letting of its investment properties, (ii) the operation of its hospitality properties and (iii) the operation of its cooling assets. Its direct costs in the periods under review comprised (i) for both investment and hospitality properties, direct staff costs, housekeeping and facilities management, utility costs, security, and repairs and maintenance, (ii) for its hospitality properties, direct costs such as food and beverages, and the fees which its pays its hotel management companies and (iii) for its cooling assets, utility costs, depreciation and direct staff costs.

The table below shows the breakdown of Aldar Investments' revenue and direct costs in each of the six months ended 30 June 2019 and 30 June 2018.

	Investment properties		**Hospitality**		**Cooling assets**		**Total**	
	(AED thousands)	*(% of total)*	*(AED thousands)*	*(% of total)*			*(AED thousands)*	*(% of total)*
Six months ended 30 June 2019								
Revenue excluding service charge	705,560	64.8	332,423	30.5	50,533	4.6	1,088,516	100.0
Revenue from service charge	59,088	100.0		—	—	—	59,088	100.0
Gross revenue	**764,648**	**67.7**	**332,423**	**29.4**	**50,533**	**4.5**	**1,147,604**	**100.0**
Cost of revenue excluding service charge	(90,039)	22.9	(275,171)	69.9	(28,344)	7.2	(393,554)	100.0
Service charge expenses	(59,088)	100.0	—	—	—	—	(59,088)	100.0
Gross profit	**615,521**	**88.6**	**57,252**	**8.2**	**22,189**	**3.2**	**694,962**	**100.0**
Six months ended 30 June 2018								
Revenue excluding service charge	659,384	76.3	205,196	23.7	—	—	864,580	100.0
Revenue from service charge	53,867	100.0	—	—	—	—	53,867	100.0
Gross revenue	**713,251**	**77.7**	**205,196**	**22.3**	**—**	**—**	**918,447**	**100.0**
Cost of revenue excluding service charge	(83,101)	31.9	(177,724)	68.1	—	—	(260,825)	100.0
Service charge expenses	(53,867)	100.0	—	—	—	—	(53,867)	100.0
Gross profit	**576,283**	**95.4**	**27,472**	**4.6**	**—**	**—**	**603,755**	**100.0**

Revenue

Aldar Investments' total revenue (excluding service charge) for the six months ended 30 June 2019 amounted to AED 1,089 million compared to AED 865 million in the corresponding period of 2018.

The increase of AED 224 million, or 25.9 per cent., in the six months ended 30 June 2019 compared to the six months ended 30 June 2018 reflected:

- an increase of AED 46 million, or 7.0 per cent., in revenue (excluding service charge) from investment properties, which principally resulted from additional assets contributing revenue to the portfolio;
- an increase of AED 127 million, or 62.0 per cent., in hospitality and leisure revenue, which principally resulted from additional assets contributing revenue and also on a like for like basis due to better occupancy in 2019 as compared to 2018; and
- cooling assets revenue of AED 51 million in the six months ended 30 June 2019 compared to no equivalent revenue in the corresponding period of 2018 as the cooling assets were acquired on 1 January 2019.

Direct costs

Aldar Investments' direct costs (excluding service charge) for the six months ended 30 June 2019 amounted to AED 394 million compared to AED 261 million for the corresponding period in 2018.

The increase of AED 133 million, or 50.9 per cent., in the 2019 period compared to the 2018 period reflected:

- an increase of AED 7 million, or 8.3 per cent., in direct costs (excluding service charge) from investment properties, which principally reflected the additional assets added to the portfolio;
- an increase of AED 97 million, or 54.8 per cent., in direct costs from hospitality and leisure, which principally reflected the additional assets added to the portfolio and increased occupancy; and
- direct costs from cooling assets of AED 28 million in the six months ended 30 June 2019 compared to no equivalent direct costs in the corresponding period of 2018.

Gross profit

Reflecting the above factors, Aldar Investments' gross profit was AED 695 million in the six months ended 30 June 2019 and AED 604 million in the corresponding period of 2018, an increase of AED 91 million, or 15.1 per cent. Aldar Investments' gross profit margin was 60.6 per cent. in the six months ended 30 June 2019 compared to 65.7 per cent. in the corresponding period of 2018. The gross profit margins for the investment properties business and the hospitality and leisure business were 80.5 per cent. and 17.2 per cent, respectively, in the 2019 period compared to 80.8 per cent. and 13.4 per cent, respectively, in the 2018 period. The gross profit margin for the cooling assets business was 43.9 per cent. in the 2019 period.

Aldar management fee

In the six months ended 30 June 2019, Aldar Investments' recorded an AED 46 million management fee charged by Aldar. No equivalent fee was charged in the corresponding period of 2018. The management fee is charged at 0.5 per cent. per annum of the gross asset value of the properties managed in accordance with the Asset Management and Services Agreement, which was entered into with effect from 1 July 2018.

The management fee relates to Aldar Investments' overheads (comprising selling and marketing expenses as well as staff costs and others in general and administrative expenses) and in 2018 was charged only for the period from 1 July 2018. For the six months ended 30 June 2018 Aldar's overheads were based on allocated figures of the Aldar asset management business.

Selling and marketing expenses

Aldar Investments' selling and marketing expenses in the six months ended 30 June 2018 related to advertising (principally brand awareness campaigns and advertisements targeted at particular investment or hospitality properties) and exhibitions and sponsorships (aimed at promoting Aldar Investments' investment and hospitality properties) and amounted to AED 3,673 thousand. No selling and marketing expenses were recorded in the six months ended 30 June 2019 as these were covered by the Aldar management fee.

General and administrative expenses

Aldar Investments' general and administrative expenses comprise depreciation and amortisation costs which principally relate to its hospitality properties and cooling assets, all of which are classified as property, plant and equipment and are depreciated on a straight line basis over 20-30 years (in the case of the hospitality assets) and over 15-20 years (in the case of the cooling assets), and its provisions, impairments and write downs, net of recoveries.

Aldar Investments' general and administrative expenses in the six months ended 30 June 2018 also included staff costs and other general and administrative expenses which amounted to AED 26 million and AED 5 million, respectively. No equivalent general and administrative expenses were recorded in the six months ended 30 June 2019 as these were covered by the Aldar management fee.

The table below shows the breakdown of Aldar Investments' general and administrative expenses in each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June			
	2019		**2018**	
	(AED thousands)	*(% of total)*	*(AED thousands)*	*(% of total)*
Depreciation and amortisation..........................	100,243	86.3	58,785	60.1
Staff costs..	—	—	26,493	27.1
Provisions, impairments and write downs, net ..	15,870	13.7	7,789	8.0
Others...	—	—	4,752	4.8
Total general and administrative expenses....	**116,113**	**100.0**	**97,819**	**100.0**

Aldar Investments' depreciation and amortisation for the six months ended 30 June 2019 amounted to AED 100 million compared to AED 59 million for the corresponding period in 2018, an increase of AED 41 million, or 69.5 per cent. This principally reflected the additional hospitality properties and cooling assets added to the portfolio at the end of 2018.

Aldar Investments' provisions, impairments and write downs, net in each of the six months ended 30 June 2019 and 30 June 2018 principally reflected provision for expected credit losses against trade receivables.

Gain on disposal of investment properties

In the six months ended 30 June 2019, Aldar Investments recorded a gain of AED 18 million on the disposal of an investment property, Al Murjan. See "*—Principal factors affecting results of operations—Changes in the composition of Aldar Investments' portfolio of properties—Developments in the first six months of 2019*" above.

Fair value loss on investment properties, net

See "*Principal factors affecting results of operations—Change in the fair value of Aldar Investments' investment properties*" for a description of the accounting treatment for Aldar Investments' investment properties.

Aldar Investments' investment properties generated a fair value loss of AED 41 million in the six months ended 30 June 2019 compared to a fair value loss of AED 191 million in the corresponding period in 2018. The loss in the 2019 period principally reflected the impairment booked based on an internal assessment of leased assets. The loss in the 2018 period principally reflected a fair value loss of AED 150 million based on an internal assessment of the potential value impact of certain Yas Mall tenant support measures taken.

Finance income and costs

Aldar Investments recorded AED 6 million in finance income in the six months ended 30 June 2019, principally from bank accounts and deposits. It did not record any finance income in the comparable period of 2018.

The table below shows Aldar Investments' finance cost in each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June	
	2019	**2018**
	(AED thousands)	
Finance cost on borrowings and non-convertible sukuk	143,038	110,265
Unwinding finance cost on operating lease liability	5,273	4,773
Total net finance cost	**148,311**	**115,038**

Aldar Investments' finance cost was AED 148 million in the six months ended 30 June 2019 compared to AED 115 million in the corresponding period of 2018. The AED 33 million, or 28.9 per cent., increase in the 2019 period principally reflected additional financing drawn to fund the purchase of properties from TDIC.

Profit for the period

Reflecting the above factors, including in particular the new properties acquired, Aldar Investments' profit for the period was AED 368 million in the six months ended 30 June 2019 compared to AED 196 million in the corresponding period of 2018. Excluding the new properties added, Aldar Investments' profit for the period in the six months ended 30 June 2019 would have been AED 338 million.

Other comprehensive income/(loss)

Aldar Investments' only other comprehensive income/loss item in each of the six month periods ended 30 June 2019 and 30 June 2018 was an AED 81 million negative fair value change in cash flow hedges in the 2019 period compared to an AED 74 million positive fair value change in cash flow hedges in the 2018 period. Aldar Investments' cash flow hedges have been entered into to hedge its exposure to future cash flows arising from interest rate fluctuations. As at 30 June 2019, the notional amount of these derivatives amounted to AED 2,020 billion.

Comparison of 2018 and 2017

The information in this section has been derived solely from the 2018 Financial Statements, see "Presentation of financial and other information".

Gross profit

Aldar Investments' gross profit in each year represented the difference between its revenue and cost of revenue. Aldar Investments' revenue was derived from (i) the letting of its investment properties and (ii) the operation of its hospitality properties. Its cost of revenue in each year comprised (i) for both investment and hospitality properties, direct staff costs, housekeeping and facilities management, utility costs, security, and repairs and maintenance, (ii) for its hospitality properties, direct costs such as food and beverages, and the fees which its pays its hotel management companies.

The table below shows the breakdown of Aldar Investments' revenue and cost of revenue in each of 2018 and 2017.

	Investment properties		**Hospitality and leisure**		**Total**	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*	*(AED thousand)*	*(% of total)*
2018						
Revenue excluding service charge ..	1,271,461	73.8	450,840	26.2	1,722,301	100.0
Revenue from service charge	106,696		—		106,696	
Gross revenue	**1,378,157**	**75.4**	**450,840**	**24.6**	**1,828,997**	**100.0**
Cost of revenue excluding service charge	(169,210)	31.7	(364,483)	68.3	(533,693)	100.0
Service charge expenses.................	(106,696)				(106,696)	
Gross profit...................................	**1,102,251**	**92.7**	**86,357**	**7.3**	**1,188,608**	**100.0**
2017						
Revenue excluding service charge ..	1,288,767	72.9	479,840	27.1	1,768,607	100.0
Revenue from service charge	110,071		—		110,071	
Gross revenue	**1,398,838**	**74.5**	**479,840**	**25.5**	**1,878,678**	**100.0**
Cost of revenue excluding service charge	(165,117)	30.3	(380,429)	69.7	(545,546)	100.0
Service charge expenses.................	(110,071)		—		(110,071)	
Gross profit...................................	**1,123,650**	**91.9**	**99,411**	**8.1**	**1,223,061**	**100.0**

Revenue

Aldar Investments' total revenue (excluding service charge) for 2018 amounted to AED 1,722 million compared to AED 1,769 million for 2017.

The fall of AED 46 million, or 2.6 per cent., in 2018 compared to 2017 reflected:

- a fall of AED 17 million, or 1.4 per cent., in revenue (excluding service charge) from investment properties, which principally resulted from lower average occupancy and lower average lease rates in respect of Aldar Investments' retail and residential investment properties; and
- a fall of AED 29 million, or 6.4 per cent., in hospitality revenue, which principally resulted from a fall in the average daily rate and in the revenue per available room ("**RevPAR**") across Aldar Investments' hospitality properties.

In each case, the negative trends reflected deteriorating market conditions in Abu Dhabi. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*".

Although Aldar Investments made significant property acquisitions in 2018 (see "*—Principal factors affecting results of operations— Changes in the composition of Aldar Investments' portfolio of properties —Developments in 2018*" above), the acquisitions were all effective from 31 December 2018 and so generated no revenue or costs of revenue in that year.

Cost of revenue

Aldar Investments' cost of revenue (excluding service charge) for 2018 amounted to AED 534 million compared to AED 546 million for 2017.

The fall of AED 12 million, or 2.2 per cent., in 2018 compared to 2017 reflected:

- an increase of AED 4 million, or 2.4 per cent., in cost of revenue (excluding service charge) from investment properties; and
- a fall of AED 16 million, or 4.4 per cent., in cost of hospitality revenue, which is related to the decrease in revenue across Aldar Investments' hospitality properties.

Gross profit

Reflecting the above factors, Aldar Investments' gross profit was AED 1,189 million in 2018 and AED 1,223 million in 2017, a fall of AED 34 million, or 2.8 per cent., in 2018 compared to 2017. Aldar Investments' gross profit margin was 65.0 per cent. in 2018 compared to 65.1 per cent. in 2017. The gross profit margins for the investment properties business and the hospitality business were 80.0 per cent. and 19.2 per cent, respectively, in 2018 compared to 80.3 per cent. and 20.7 per cent, respectively, in 2017. The reverse change in the hospitality gross profit margin in 2018 was principally driven by a softening of average daily rates and falls in food and beverage income, which reflected reduced corporate demand, lower oil prices, reduced Government spending and a stronger dollar.

Aldar management fee

In 2018, Aldar Investments recorded an AED 39 million management fee charged by Aldar. No equivalent fee was charged in 2017. The management fee is charged at 0.5 per cent. per annum of the gross asset value of the properties managed in accordance with the Asset Management and Services Agreement.

The management fee relates to Aldar Investments' overheads (comprising selling and marketing expenses as well as staff costs and others in general and administrative expenses) and in 2018 was charged only for the period from 1 July 2018. For the six months to 30 June 2018 Aldar's overheads were based on allocated figures of the Aldar asset management business.

Selling and marketing expenses

The table below shows the breakdown of Aldar Investments' selling and marketing expenses in each of 2018 and 2017.

	2018		**2017**	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*
Advertising	3,673	100.0	7,781	88.0
Exhibitions and sponsorships	—	—	1,065	12.0
Total selling and marketing expenses	**3,673**	**100.0**	**8,846**	**100.0**

Aldar Investments' selling and marketing expenses for 2018 amounted to AED 4 million compared to AED 9 million for 2017.

The AED 5 million fall in selling and marketing expenses in 2018 principally reflected the fact that Aldar Investments' selling and marketing expenses have, since 1 July 2018, been included in a management fee separately recorded on the consolidated income statement.

General and administrative expenses

The table below shows the breakdown of Aldar Investments' general and administrative expenses in each of 2018 and 2017.

	2018		**2017**	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*
Depreciation and amortisation	108,876	62.8	113,978	50.0
Staff costs	26,333	15.2	58,873	25.9
Provisions, impairments and write downs, net	16,577	9.6	42,835	18.8
Others	21,643	12.5	12,055	5.3
Total general and administrative expenses	**173,429**	**100.0**	**227,741**	**100.0**

Aldar Investments' general and administrative expenses for 2018 amounted to AED 173 million compared to AED 228 million for 2017.

The AED 54 million, or 31.3 per cent., decline in general and administrative expenses in 2018 principally reflected:

- a fall of AED 33 million, or 55.3 per cent., in staff costs driven by the fact that with effect from 1 July 2018 these were included in the management fee separately recorded on the consolidated income statement; and

- a fall of AED 26 million, or 61.3 per cent., in net provisions, impairments and write downs, which principally reflected the net reversal of impairment of hospitality properties in 2018.

The AED 10 million, or 79.5 per cent., increase in others also reflects the fact that these expenses are included in the management fee separately recorded on the consolidated income statement.

In 2018, Aldar Investments conducted a sensitivity analysis for all its hospitality properties. The analysis was conducted on both a RevPAR and a discount rate and exit yield basis. Based on this sensitivity analysis, as of 31 December 2018:

- an increase in the RevPAR by 10 per cent. would have resulted in an AED 278 million, or 12.0 per cent., increase in the recoverable value, whilst a decrease in the RevPAR by 10 per cent. would have resulted in an AED 266 million, or 11.5 per cent., decrease in the recoverable value; and

- a decrease in the discount rate and exit yield by 50 basis points would have resulted in an AED 168 million, or 7.3 per cent., increase in the recoverable value, whilst an increase in the discount rate and exit yield by 50 basis points would have resulted in an AED 148 million, or 6.4 per cent., decrease in the recoverable value.

Gain on disposal of investment properties

In 2017, Aldar Investments recorded an AED 4 million gain on the disposal of investment properties, relating to the disposal of residential units in Sun & Sky Towers. No equivalent gains were recorded in 2018.

Fair value (loss)/gain on investment properties, net

See "*Principal factors affecting results of operations—Change in the fair value of Aldar Investments' investment properties*" for a description of the accounting treatment for Aldar Investments' investment properties.

The table shows the key assumptions used in valuing Aldar Investments' investment properties in 2018 and 2017.

	2018	**2017**
	(Range in per cent.)	
Targeted internal rate of return	9 – 16	9 – 15
Rental yield	7 – 12	7 – 12

Based on the valuations undertaken, Aldar Investments' investment properties showed a decline in fair value of AED 670 million in 2018 and AED 459 million in 2017.

In 2018, Aldar Investments conducted a sensitivity analysis for the 11 largest assets in its investment property portfolio with an aggregate value of AED 12,352 million. The analysis was conducted on both a rental rates and a capitalisation/discount rates basis. Based on this sensitivity analysis, as of 31 December 2018:

- an increase in rental rates by 10 per cent. would have resulted in an AED 1,335 million, or 10.8 per cent., increase in the valuation, whilst a decrease in rental rates by 10 per cent. would have resulted in an AED 1,334 million, or 10.8 per cent., decrease in the valuation; and

- a decrease in the capitalisation/discount rate by 50 basis points would have resulted in an AED 1,403 million, or 11.4 per cent., increase in the valuation, whilst an increase in the capitalisation/discount rate by 50 basis points would have resulted in an AED 1,109 million, or 9.0 per cent., decrease in the valuation.

Finance income and costs

Aldar Investments' finance income amounted to AED 0.05 million in 2018 compared to AED 10 million in 2017, which represented interest on an outstanding balance due from a related party. Aldar Investments records finance cost on its borrowings and in relation to an operating lease liability. The table below shows Aldar Investments' finance cost in each of 2018 and 2017.

	2018	2017
	(AED thousands)	
Finance cost on borrowings	178,729	208,061
Unwinding finance cost on operating lease liability	9,217	10,224
Total finance cost	**187,946**	**218,285**

Aldar Investments' finance cost was AED 188 million in 2018 compared to AED 218 million in 2017. The AED 30 million, or 13.9 per cent., decline in 2018 principally reflected a fall of AED 29 million, or 14.1 per cent., in finance cost on borrowings which resulted from a lower level of average borrowings in the period against 2017.

Other income

In 2018, Aldar Investments recorded other income of AED 14 million compared to no other income in 2017. The other income in 2018 principally related to reversal of the excess provision, which was no longer required.

Profit for the year

Reflecting the above factors and principally the fair value changes in its investment properties, Aldar Investments' profit for the year was AED 129 million in 2018 compared to AED 323 million in 2017. Excluding the fair value changes, Aldar Investments' profit for the year in 2018 would have been AED 799 million compared to AED 782 million in 2017.

Other comprehensive loss

Aldar Investments' only other comprehensive income/loss item in each of 2018 and 2017 was an AED 67 million positive fair value change in cash flow hedges in 2018 compared to an AED 6 million negative fair value change in cash flow hedges in 2017. Aldar Investments' cash flow hedges have been entered into to hedge its exposure to future cash flows arising from interest rate fluctuations. As at 31 December 2018, the notional amount of these derivatives amounted to AED 2 billion.

Comparison of 2017 and 2016

Gross profit

Aldar Investments' gross profit in each year represented the difference between its revenue and cost of revenue. Aldar Investments' revenue was derived from (i) the letting of its investment properties and (ii) the operation of its hospitality properties. Its cost of revenue in each year comprised (i) for both investment and hospitality properties, direct staff costs, housekeeping and facilities management, utility costs, security, and repairs and maintenance, (ii) for its hospitality properties, direct costs such as food and beverages, and the fees which its pays its hotel management companies.

The table below shows the breakdown of Aldar Investments' revenue and cost of revenue in each of 2017 and 2016.

	Investment properties		Hospitality		Total	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*	*(AED thousand)*	*(% of total)*
2017						
Revenue excluding service charge	1,288,767	72.9	479,840	27.1	1,768,607	100.0
Revenue from service charge	110,071		—		110,071	
Gross revenue	**1,398,838**	**74.5**	**479,840**	**25.5**	**1,878,678**	**100.0**

	Investment properties		Hospitality		Total	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*	*(AED thousand)*	*(% of total)*
Cost of revenue excluding service charge	(165,117)	30.3	(380,429)	69.7	(545,546)	100.0
Service charge expenses	(110,071)		—		(110,071)	
Gross profit	**1,123,650**	**91.9**	**99,411**	**8.1**	**1,223,061**	**100.0**
2016						
Revenue excluding service charge	1,329,589	72.2	512,120	27.8	1,841,709	100.0
Revenue from service charge	117,035		—		117,035	
Gross revenue	**1,446,624**	**73.9**	**512,120**	**26.1**	**1,958,744**	**100.0**
Cost of revenue excluding service charge	(159,762)	28.3	(404,742)	71.7	(564,504)	100.0
Service charge expenses	(117,035)		—		(117,035)	
Gross profit	**1,169,827**	**91.6**	**107,378**	**8.4**	**1,277,205**	**100.0**

Revenue

Aldar Investments' total revenue (excluding service charge) for 2017 amounted to AED 1,769 million compared to AED 1,842 million for 2016.

The fall of AED 73 million, or 4.0 per cent., in 2017 compared to 2016 reflected:

- a fall of AED 41 million, or 3.1 per cent., in revenue (excluding service charge) from investment properties, which principally resulted from lower average occupancy and lower average lease rates in respect of Aldar Investments' retail and residential investment properties; and

- a fall of AED 32 million, or 6.3 per cent., in hospitality revenue, which principally resulted from a fall in the average daily rate and in RevPAR across Aldar Investments' hospitality properties.

In each case, the negative trends reflected deteriorating market conditions in Abu Dhabi. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' business is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*".

Cost of revenue

Aldar Investments' cost of revenue (excluding service charge) for 2017 amounted to AED 546 million compared to AED 565 million for 2016.

The fall of AED 19 million, or 3.4 per cent., in 2017 compared to 2016 reflected:

- an increase of AED 5.3 million, or 3.4 per cent., in cost of revenue (excluding service charge) from investment properties; and

- a fall of AED 24.3 million, or 6.0 per cent., in cost of hospitality revenue, which is related to the decrease in revenue across Aldar Investments' hospitality properties.

Gross profit

Reflecting the above factors, Aldar Investments' gross profit was AED 1,223 million in 2017 and AED 1,277 million in 2016, a fall of AED 54 million, or 4.2 per cent., in 2017 compared to 2016. Aldar Investments' gross profit margin was 65.1 per cent. in 2017 compared to 65.2 per cent. in 2016. The gross profit margins for the investment properties business and the hospitality business were 80.3 per cent. and 20.7 per cent, respectively, in 2017 compared to 80.9 per cent. and 21.0 per cent, respectively, in 2016.

Selling and marketing expenses

The table below shows the breakdown of Aldar Investments' selling and marketing expenses in each of 2017 and 2016.

	2017		2016	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*
Advertising	7,781	88.0	8,688	94.5
Exhibitions and sponsorships	1,065	12.0	507	5.5
Total selling and marketing expenses	**8,846**	**100.0**	**9,195**	**100.0**

Aldar Investments' selling and marketing expenses for 2017 amounted to AED 9 million compared to AED 9 million for 2016.

The AED 0.3 million fall in selling and marketing expenses in 2017 principally reflected an AED 1 million, or 10.4 per cent., fall in advertising offset by an AED 558 thousand increase in exhibitions and sponsorships expense.

General and administrative expenses

The table below shows the breakdown of Aldar Investments' general and administrative expenses in each of 2017 and 2016.

	2017		2016	
	(AED thousand)	*(% of total)*	*(AED thousand)*	*(% of total)*
Depreciation and amortisation	113,978	50.0	122,861	55.7
Staff costs	58,873	25.9	57,476	26.1
Provisions, impairments and write downs, net	42,835	18.8	31,514	14.3
Others	12,055	5.3	8,528	3.9
Total general and administrative expenses	**227,741**	**100.0**	**220,379**	**100.0**

Aldar Investments' general and administrative expenses for 2017 amounted to AED 228 million compared to AED 220 million for 2016.

The AED 7 million, or 3.3 per cent., increase in general and administrative expenses in 2017 principally reflected an increase of AED 11 million, or 35.9 per cent., in provisions, impairments and write downs, net, which in turn principally reflected a provision for impairment in respect of trade receivables of AED 10.1 million in 2017 compared to a provision reversal of AED 2.1 million in 2016. The balance of the line item reflected impairment charges made in 2017 and 2016 in respect of Aldar Investments' hospitality properties. These charges amounted to AED 32.7 million in 2017 and AED 33.6 million in 2016. In each year the recoverable value of Aldar Investments' hospitality properties is reviewed. In 2017, the review was based on the discounted cash flow method using a yield of 7.5 per cent. to 9.0 per cent. whereas in 2016 the yield used was 7.75 per cent. to 10.0 per cent.

In 2017, Aldar Investments conducted a sensitivity analysis for all its hospitality properties. The analysis was conducted on both a RevPAR and a discount rate and exit yield basis. Based on this sensitivity analysis, as of 31 December 2017:

- an increase in the RevPAR by 10 per cent. would have resulted in an AED 402 million, or 19.5 per cent., increase in the recoverable value, whilst a decrease in the RevPAR by 10 per cent. would have resulted in an AED 401 million, or 19.4 per cent., decrease in the recoverable value; and

- a decrease in the discount rate and exit yield by 50 basis points would have resulted in an AED 148 million, or 7.2 per cent., increase in the recoverable value, whilst an increase in the discount rate and exit yield by 50 basis points would have resulted in an AED 130 million, or 6.3 per cent., decrease in the recoverable value.

Gain on disposal of investment properties

In each of 2017 and 2016, Aldar Investments recorded gains on the disposal of investment properties. These gains related to the disposal of residential units in Sun & Sky Towers in 2017 for a gain of AED 4 million and in 2016 for a gain of AED 14 million.

Fair value (loss)/gain on investment properties, net

See "*Principal factors affecting results of operations—Change in the fair value of Aldar Investments' investment properties*" for a description of the accounting treatment for Aldar Investments' investment properties. The table shows the key assumptions used in valuing Aldar Investments' investment properties in 2017 and 2016.

	2017	**2016**
	(Range in per cent.)	
Targeted internal rate of return	9 – 15	9 – 15
Rental yield	7 – 12	7 – 12

Based on the valuations undertaken, Aldar Investments' investment properties showed a decline in fair value of AED 459 million in 2017 and AED 127 million in 2016.

In 2017, Aldar Investments conducted a sensitivity analysis for the seven largest assets in its investment property portfolio. The analysis was conducted on both a rental rates and a capitalisation/discount rates basis. Based on this sensitivity analysis, as of 31 December 2017:

- an increase in rental rates by 10 per cent. would have resulted in an AED 833 million, or 7.7 per cent., increase in the valuation, whilst a decrease in rental rates by 10 per cent. would have resulted in an AED 850 million, or 7.9 per cent., decrease in the valuation; and

- a decrease in the capitalisation/discount rate by 50 basis points would have resulted in an AED 654 million, or 6.1 per cent., increase in the valuation, whilst an increase in the capitalisation/discount rate by 50 basis points would have resulted in an AED 611 million, or 5.7 per cent., decrease in the valuation.

Finance income and costs

Aldar Investments' finance income amounted to AED 10 million in 2017 and represented interest on an outstanding balance due from a related party. Aldar Investments did not record any finance income in 2016. Aldar Investments records finance cost on its borrowings and in relation to an operating lease liability. The table below shows Aldar Investments' finance cost in each of 2017 and 2016.

	2017	**2016**
	(AED thousands)	
Finance cost on borrowings	208,061	197,937
Unwinding finance cost on operating lease liability	10,224	10,905
Total finance cost	**218,285**	**208,842**

Aldar Investments' finance cost was AED 218 million in 2017 compared to AED 209 million in 2016. The AED 9 million, or 4.5 per cent., increase in 2017 principally reflected an increase of AED 10 million, or 5.1 per cent., in finance cost of borrowings which resulted from increases in the rate payable on loans at variable rates and the addition of new loans in 2017.

Profit for the year

Reflecting the above factors and principally the fair value changes in its investment properties, Aldar Investments' profit for the year was AED 323 million in 2017 compared to AED 726 million in 2016. Excluding the fair value changes, Aldar Investments' profit for the year in 2017 would have been AED 782 million compared to AED 853 million in 2016.

Other comprehensive loss

Aldar Investments' only comprehensive loss item was an AED 6 million negative fair value change in 2017 in its cash flow hedges entered into to swap floating rates of interest under borrowings entered into by it in mid-2016 for fixed rates of interest.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Aldar Investments' financing requirements are primarily to fund asset acquisitions. Aldar Investments typically seeks to fund its expenditures and working capital needs from cash flow from operations.

Aldar Investments had committed credit facilities of AED 5.3 billion, made up of AED 2.3 billion bank credit facilities and an AED 3.0 billion committed revolving credit facility with Aldar. The facilities referred to above are described under "*—Liquidity and capital resources—Borrowings*" below.

Aldar Investments expects that the level of its outstanding borrowings will remain in line with its debt policy which requires that its total debt expressed as a percentage of the total value of its asset management portfolio should be between 35 and 40 per cent.

Although Aldar Investments is not subject to any externally imposed capital requirements, it is subject to financial covenants under certain of its financings, which may limit its ability to undertake additional financings. These covenants include observing a minimum level of tangible net worth and a minimum collateral cover ratio.

Cash flow

The table below summarises Aldar Investments' cash flow from operating activities, investing activities and financing activities for each of the six months ended 30 June 2019 and 30 June 2018.

	Six months ended 30 June	
	2019	2018
	(AED thousands)	
Net cash generated from operating activities	458,615	396,497
Net cash generated from/(used in) investing activities	250,823	(130,260)
Net cash used in financing activities	(330,531)	(327,420)
Cash and cash equivalents at 1 January	246,242	180,084
Cash and cash equivalents at 30 June	625,149	118,541

The table below summarises Aldar Investments' cash flow from operating activities, investing activities and financing activities for each of 2017, 2016 and 2015.

	2018	2017	2016
		(AED thousands)	
Net cash generated from operating activities	1,143,123	1,148,731	1,063,885
Net cash used in investing activities	(184,157)	(919,733)	(64,791)
Net cash used in financing activities	(892,808)	(264,996)	(1,013,415)
Cash and cash equivalents at 1 January	180,084	216,082	230,403
Cash and cash equivalents at 31 December	246,242	180,084	216,082

Cash flow from operating activities

Aldar Investments' net cash generated from operating activities was AED 459 million in the six months ended 30 June 2019 compared to AED 396 million in the corresponding period of 2018.

Aldar Investments' net cash generated from operating activities was AED 1,143 million in 2018 compared to AED 1,149 million in 2017 and AED 1,064 million in 2016. Aldar Investments' cash flow from operations before working capital changes principally reflects its profit for the year adjusted to reflect its fair value gain or loss on investment properties, its depreciation and amortisation and its finance costs. Principally reflecting these factors, Aldar Investments' operating cash flows before working capital changes were relatively constant at AED 1,114 million in 2018 compared to AED 1,157 million in 2017 and AED 1,206 million in 2016. Aldar Investments' principal working capital changes in 2018 were a cash outflow of AED 184 million in respect of trade and other receivables and cash inflows of AED 84 million in trade and other payables, AED 74 million in lease liability, AED 39 million in management fee and AED 23 million in advances and security deposits. Aldar Investments' principal working capital changes in 2017 were a cash outflow of AED 26 million in trade and other payables and a cash inflow of AED 23 million in advances and security deposits. In 2016, Aldar Investments' principal working capital changes were a cash outflow of AED 275 million in trade and other payables and a cash inflow of AED 123 million in trade and other receivables.

Cash flow used in investing activities

Aldar Investments' net cash inflow from investing activities was AED 251 million in the six months ended 30 June 2019 compared to net cash used of AED 131 million in the corresponding period of 2018.

Aldar Investments' net cash used in investing activities was AED 184 million in 2018 compared to AED 920 million in 2017 and AED 65 million in 2016. In 2018, the principal investments made aggregated AED 208 million, of which the main investment related to the Al Jimi Mall extension. Aldar Investments also received AED 58 million following a partial swap termination.

In 2017, the principal investments made aggregated AED 901 million, of which AED 659 million was spent on the acquisition of a commercial property, International Tower, AED 159 million was spent on the Al Jimi Mall extension and AED 121 million was spent on the construction of the Repton School. Aldar Investments also received AED 15 million from the sale of residential units in Sun & Sky Towers in 2017.

In 2016, Aldar Investments' principal investment made was AED 90 million which was spent on the Al Jimi Mall extension and the construction of the Repton School. Aldar Investments also received AED 49 million from the sale of residential units in Sun & Sky Towers in 2016.

Cash flow used in financing activities

Aldar Investments' net cash used in financing activities was AED 331 million in the six months ended 30 June 2019 compared to net cash used in financing activities of AED 327 million in the corresponding period of 2018. In the six months ended 30 June 2019, Aldar Investments had an outflow of AED 159 million to Aldar, as surplus cash is periodically swept up to be settled at the time a dividend is declared, AED 143 million towards finance costs paid and AED 29 million representing the repayment of an operating lease liability. In the six months ended 30 June 2018, Aldar Investments had an outflow of AED 400 million representing the net repayment of borrowings, an outflow of AED 103 million in finance costs paid and an outflow of AED 23 million towards the repayment of an operating lease liability which were partially offset by an inflow of AED 198 million representing the movement in net investment by Aldar (which principally represents expense allocation and general financing provided by Aldar).

Aldar Investments' net cash used in financing activities was AED 893 million in 2018 compared to AED 265 million in 2017 and AED 1,013 million in 2016. In 2018, Aldar Investments had an outflow of AED 1,271 million representing net borrowings repaid in the year and an outflow of AED 154 million in finance costs paid. These were offset by an inflow of AED 198 million in net investment by Aldar and an inflow of AED 365 representing the net movement in capital contribution from Aldar.

In 2017, Aldar Investments had an outflow of AED 425 million in net investment by Aldar and an outflow of AED 192 million in finance costs paid. This was offset by a cash inflow of AED 372 million representing net new borrowings in the year.

In 2016, Aldar Investments had an outflow of AED 432 million in net investment by Aldar. Aldar Investments also had outflows of AED 389 million (representing net borrowings repaid) and AED 192 million in finance costs paid.

Borrowings

Introduction

Aldar Investments' has a conservative debt policy that targets an outstanding debt ratio of between 35 and 40 per cent. of the total value of its asset management portfolio. As at 30 June 2019, Aldar Investments total borrowings amounted to AED 7.1 billion, or 36.8 per cent. of the total value of its asset management portfolio.

As at 30 June 2019, Aldar Investments' total borrowings comprised:

- AED 2.3 billion outstanding bank borrowings, comprising five bilateral secured term loan facilities;
- AED 3.0 billion outstanding under an AED 3.0 billion revolving facility made available by Aldar until September 2025; and
- AED 1.8 billion unsecured sukuk certificates issued in October 2018, which have a profit rate of 4.750 per cent. and are due for repayment in September 2025.

Bank borrowings

The table below shows certain information in relation to Aldar Investments' bank borrowings as at 30 June 2019.

	Amount outstanding	Interest rate	Bullet maturity
	(AED thousand)		
Term loan 1	400,000	EIBOR + 1.80%	August 2023
Term loan 2	500,000	LIBOR + 1.25%	August 2021
Term loan 3	500,000	LIBOR + 1.30%	August 2023
Term loan 4	500,000	EIBOR + 1.00%	September 2023
Term loan 5	400,000	EIBOR + 2.12%	August 2026
	2,300,000		
Unamortised borrowing cost	(10,911)		
Accrual for interest and profits	10,407		
Total bank borrowings	**2,299,496**		

In September 2018, Aldar Investments novated loans from Aldar for AED 1.8 billion. The loans comprised two facilities of U.S.$136 million each with maturities of three (term loan 2 in the table above) and five (term loan 3 in the table above) years, respectively from the novation date, and two facilities of AED 400 million each with maturities of five (term loan 1 in the table above) and eight (term loan 5 in the table above) years, respectively from the novation date. In September 2018, Aldar Investments signed a fifth bilateral facility with a bank for AED 500 million with a maturity of five years (term loan 4 in the table above).

All of the term loans are secured by mortgages over plots of land and operating assets. The assets secured against these term loans had a total value of AED 3.8 billion as at 30 June 2019. The term loans contain minimum collateral coverage ratios and a net worth covenant that requires Aldar Investments to maintain a minimum tangible net worth of AED 4.0 billion. As at 30 June 2019, Aldar Investments' tangible net worth was AED 12.3 billion.

Aldar revolving facility

In addition, Aldar Investments entered into a committed revolving credit facility of AED 3.0 billion with Aldar in September 2018. The facility bears interest at EIBOR plus one per cent. and has a tenor of seven years. Each loan made must be repaid in full, and may be redrawn, at the end of each six month interest period. As at 30 June 2019, this facility was fully drawn.

Sukuk certificates issued

On 1 October 2018, Aldar Investments issued AED 1.8 billion non-convertible sukuk certificates. The certificates carry a profit rate of 4.75 per cent. per annum payable semi-annually and mature in September 2025.

The table below shows the maturity profile of Aldar Investments' outstanding borrowings as at 30 June 2019.

	As at 30 June 2019	
	(AED thousands)	*(per cent.)*
Due within 12 months	32,945	0.5
Due from one year to five years	1,889,089	26.5

	As at 30 June 2019	
	(AED thousands)	*(per cent.)*
Due after five years	5,208,163	73.0
Total borrowings	**7,130,197**	**100.0**

Aldar Investments' has entered into interest rate swap contracts in relation to certain of its borrowings designed to hedge its exposure to movements in interest rates. These contracts are designated as cash flow hedges and give rise to movements in Aldar Investments' hedging reserve and can also impact its statement of comprehensive income. As at 30 June 2019, the notional amount of these derivatives included in the Interim Financial Statements was AED 2,020 billion and resulted in a negative change in fair value of AED 81 million recorded in the statement of comprehensive income for the six months ended 30 June 2019.

Capital expenditure and other commitments

As at 31 December in each of 2018, 2017 and 2016, Aldar Investments' contracted but not yet incurred capital expenditure amounted to AED 7 million, AED 160 million and AED 420 million, respectively. The committed capital expenditure as at 31 December 2017 and 2016 principally related to the Al Jimi Mall extension, which was completed in the first quarter of 2019.

No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside Aldar Investments' control.

As at 31 December 2018, Aldar Investments had issued letters of credit and a bank guarantee in an aggregate amount of AED 200,000.

ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Aldar Investments' principal non-cash assets are its investment properties and its property, plant and equipment (which includes its hospitality assets), which together amounted to AED 19,357 million, or 93.5 per cent., of Aldar Investments' total assets at 30 June 2019.

Investment properties

The fair value of Aldar Investments' investment properties was AED 16,394 million, or 79.2 per cent. of its total assets, as at 30 June 2019 compared to AED 15,517 million, or 80.6 per cent. of its total assets, as at 31 December 2018, AED 14,098 million, or 84.2 per cent. of its total assets, as at 31 December 2017 and AED 13,549 million, or 82.4 per cent. of its total assets, as at 31 December 2016. The AED 1,419 million, or 10.1 per cent., higher value at 31 December 2018 compared to 31 December 2017 principally reflected additions at the end of the year of AED 1,799 million less the AED 670 million decrease in fair value of the portfolio during the year. The AED 549 million, or 4.1 per cent., higher value at 31 December 2017 compared to 31 December 2016 principally reflected additions during the year of AED 906 million (see — "*Liquidity and capital resources—Cash flow—Cash flow used in investing*") less the AED 459 million decrease in fair value of the portfolio during the year. In the six months ended 30 June 2019, the fair value of the portfolio increased by AED 877 million, or 5.7 per cent., reflecting the acquisition of new investment properties (AED 1,182 million) partly offset by the sale of an investment property (AED 264 million) and the fair value loss recorded on investment properties (AED 41 million) during the period.

Property, plant and equipment

The value of Aldar Investments' property, plant and equipment was AED 2,963 million, or 14.3 per cent. of its total assets, as at 30 June 2019 compared to AED 3,045 million, or 15.8 per cent. of its total assets, as at 31 December 2018, AED 2,093 million, or 12.5 per cent. of its total assets, as at 31 December 2017 and AED 2,300 million, or 14.0 per cent. of its total assets, as at 31 December 2016. Aldar Investments' property, plant and equipment principally comprises its hospitality properties and cooling assets and the changes in value in each period principally reflect the impact of additions (which were significant in 2018 and modest in other periods) less depreciation and impairment charges.

Trade and other receivables

As at 30 June 2019, Aldar Investments' trade and other receivables amounted to AED 529 million, or 2.6 per cent. of its total assets, compared to AED 415 million, or 2.2 per cent. of its total assets, as at 31 December 2018, AED 286 million, or 1.7 per cent. of its total assets, as at 31 December 2017 and AED 289 million, or 1.8 per cent. of its total assets, as at 31 December 2016. Aldar Investments' trade and other receivables principally comprise amounts due from tenants in its investment properties.

The table shows Aldar Investments' trade and other receivables as at 30 June 2019 and as at 31 December in each of 2018, 2017 and 2016.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		(AED thousands)		
Trade receivables	483,787	454,217	169,936	158,877
Less: provision for impairment	(193,132)	(178,446)	(37,527)	(27,408)
	290,655	**275,771**	**132,409**	**131,469**
Advances and prepayments	97,740	66,410	66,360	85,837
Accrued income	85,425	22,015	42,869	10,997
Other receivables	54,752	50,820	44,277	61,003
Total trade and other receivables	**528,572**	**415,016**	**285,915**	**289,306**

The significant increases in the trade receivables portfolio as at 31 December 2018 and, to a lesser extent, as at 30 June 2019 reflect the acquisitions of new investment properties.

The table below shows the ageing of Aldar Investments' unimpaired trade receivables as at 30 June 2019 and as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(AED thousands)	
Ageing of unimpaired trade receivables			
Not past due	225,418	90,989	104,884
Past due more than 180 days but not impaired	58,879	41,420	26,585
Total unimpaired trade receivables	**284,297**	**132,409**	**131,469**

In percentage terms, 39.9 per cent. of Aldar Investments' trade receivables were impaired as at 30 June 2019 compared to 39.3 per cent. as at 31 December 2018, 22.1 per cent. as at 31 December 2017 and 17.3 per cent. as at 31 December 2016. In addition, 20.7 per cent. of its unimpaired trade receivables as at 31 December 2018 were past due by more than 180 days compared to 31.3 per cent. as at 31 December 2017 and 20.2 per cent. as at 31 December 2016. The significant increases in Aldar Investments' impaired and past due but not impaired trade receivables as a percentage of the total portfolio principally reflect declining market conditions. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' businesses is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*".

RELATED PARTY TRANSACTIONS

Aldar Investments' principal related party transactions are with its direct and indirect shareholders and its and Aldar's directors and executive management and entities controlled by any of them. These transactions include all those within the line items "Additional capital contributions" (which had a balance of AED 10,988 million as at 31 December 2018), "Net investment by the Parent" (which had balances of AED 10,197 million as at 31 December 2017 and AED 10,303 million as at 31 December 2016), the inter-company loan from Aldar to Aldar Investments, the management fee payable by Aldar Investments to Aldar, revenue income (amounting to AED 144 million in the six months ended 30 June 2019, AED 169 million in 2018, AED 156 million in 2017 and AED 100 million in 2016), borrowings from, and deposits with, Government-owned banks and trade and other receivables from the Government and other related parties. See further note 13 to the Interim Financial Statements, note 25 to the 2018 Financial Statements and note 21 to the Carve-Out Financial Statements.

DISCLOSURES ABOUT RISK

Aldar Investments is exposed to a number of risks and takes steps to mitigate certain of these risks as described in note 27 to the 2018 Financial Statements.

DESCRIPTION OF ALDAR INVESTMENTS

Prospective investors should note that, for convenience, this Prospectus refers to Aldar Investments' results of operations, cash flows and financial position as at, and for the six months ended, 30 June 2019 and 30 June 2018 and as at, and for the years ended, 31 December in each of 2018, 2017 and 2016. Given that Aldar Investments did not exist during all of these periods or at all of these dates, all such references prior to 29 May 2018 (the date on which Aldar Investments was incorporated) should be construed as being references to the performance of the assets and liabilities the subject of the Carve-Out Financial Statements. Similarly, historical references to Aldar Investments in this section should be construed as references to the carved-out asset management business.

OVERVIEW

Aldar Investments is an indirect wholly-owned subsidiary of Aldar and was established on 29 May 2018 as part of a corporate reorganisation undertaken by Aldar to improve its corporate and capital structure and develop an entity with a focused platform for its real estate investments. As part of this reorganisation, Aldar transferred the assets managed by its asset management business to Aldar Investments, together with AED 1.0 billion of existing drawn bank borrowings and AED 3.8 billion of existing committed but undrawn debt facilities. Aldar Investments had total assets of AED 20.7 billion as at 30 June 2019 which principally comprised yielding investment properties and operating businesses.

As at 30 June 2019, Aldar Investments owned and managed a portfolio of 28 retail properties, 5,621 residential units in 11 separate developments, 12 commercial properties, 14 hospitality assets (comprising nine hotels, one serviced apartment building, three golf courses and one beach club) and two district cooling plants with a view to maximising the income from, and optimising the value of, these assets.

Aldar Investments' strategy centres around maximising the performance and value of its portfolio of properties through proactive asset management, pursuing portfolio growth opportunities through acquisitions and, where appropriate, monetising lower yielding assets and reinvesting capital in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation through its asset management capabilities. Aldar Investments also intends to acquire the Aldar Properties Expected to be Acquired from Aldar.

On a consolidated basis, Aldar is the leading listed property developer and real estate asset manager in Abu Dhabi in terms of total assets and by share of the off-plan residential development market. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. Aldar is 37.3 per cent. owned by Mubadala Investment Company PJSC ("**Mubadala**"), which is a wholly-owned Abu Dhabi government entity. Aldar continues to be an important strategic partner to the Abu Dhabi government, having completed a wide variety of large scale infrastructure projects and developments, including key infrastructure on Yas Island, Al Raha Beach and Reem Island, the World Trade Centre mixed-use development, the Ferrari World theme park, the Yas Waterworld Park, Yas Marina and Yas Marina Circuit. Aldar has several major projects which it is undertaking on behalf of the Abu Dhabi government, including the mixed-used Abu Dhabi Plaza development in Astana (Kazakhstan), West Yas, a residential development on Yas Island, and twofour54, a media and entertainment free-zone on Yas Island.

Aldar Investments' total assets as at 30 June 2019 amounted to AED 20.7 billion and its revenue and profit for 2018 were AED 1,829 million and AED 129 million, respectively. Aldar Investments' Adjusted EBITDA was AED 1,066 million in 2018. Aldar Investments' revenue and profit for the six months ended 30 June 2019 were AED 1,148 million and AED 368 million, respectively, and its Adjusted EBITDA was AED 654 million in the same period.

STRATEGY

Aldar Investments' strategy is to deliver attractive total returns to shareholders through:

- investing in a diversified portfolio of real estate assets in the UAE;
- maximising the performance and value of its portfolio of assets through proactive asset management, including anticipating tenant needs and sector trends to increase occupancies and generate competitive rental rates. In particular, Aldar Investments aims to respond to market fluctuations and both sector and economic risks and to modify its asset strategies in response in

order to optimise value and position each asset to maximise revenues. It also seeks to optimise its tenant mix, ensure sustainable pricing, take advantage of down-sizing and right-sizing opportunities and employ innovative re-purposing and other asset enhancement initiatives. Further, it aims to manage its cost structure through efficiency initiatives and energy audits, to proactively manage key tenant/client relationships and to implement tenant/client retention policies and customer satisfaction programmes. In doing so, it will also aim to mitigate liability and risk from within the portfolio;

- operating real estate assets to the highest professional standards in accordance with best practice and current legislation. This will ensure Aldar Investments attracts and retains tenants of its choice as well as serve to differentiate Aldar Investments' real estate assets as a benchmark for operating standards and safety;

- pursuing portfolio investment opportunities through the acquisition of new assets. Prior to the creation of Aldar Investments, Aldar had announced an investment plan to support further growth of its asset management portfolio through a combination of acquisitions and developments. Aldar Investments' acquisition strategy is in line with this investment plan and Aldar Investments expects to continue to acquire properties or units in properties that Aldar is developing and may develop in the future, as well as properties and units sold by third party developers, owners and investors. These acquisitions are expected to be funded through a combination of debt (including amounts drawn under the revolving facility provided to Aldar Investments by Aldar) and equity, in line with Aldar Investments' debt policy, see "*Financial review—Liquidity and capital resources—Borrowings*" for a discussion of both the Aldar revolving facility and Aldar Investments' debt policy; and

- monetising lower yielding assets to crystallise value and redeploying capital in higher yielding assets and/or assets where Aldar Investments believes that it can drive investment returns through its asset management capabilities. Aldar Investments will also actively assess opportunities to expand its asset base beyond its existing, more traditional real estate asset classes to ensure it leverages key real estate market trends.

STRENGTHS

Aldar Investments believes that its principal strengths are:

Aldar Investments is Abu Dhabi's leading real estate asset manager of investment properties

Aldar Investments enjoys market leadership in Abu Dhabi in terms of the number of assets owned and managed across the retail, residential, commercial and hospitality segments. As a pure asset management company, Aldar Investments benefits from a significant portfolio of investment properties that deliver a stable and recurring revenue stream, see "*—Aldar Investments has a high quality portfolio of strategically located, income producing assets, in a range of asset classes, which deliver a diversified revenue stream*" below.

Aldar Investments has and expects to have very limited exposure to development activity, which it expects to relate principally to the extension and/or development of existing properties. Aldar Investments' policy is that the fair value of any development activity (measured as investment properties under development and capital work in progress in relation to its hospitality properties) should not exceed 20 per cent. of the total value of its asset management portfolio. As at 30 June 2019 and following the completion of the extension and renovation of an existing retail asset, Al Jimi Mall, which was completed in the first quarter of 2019, Aldar Investments had no significant development activity.

Aldar Investments has a high quality portfolio of strategically located, income producing assets, in a range of asset classes which deliver a diversified revenue stream

Aldar Investments' revenue principally comprises lease income from a high quality, well-diversified portfolio of investment properties (comprising retail, residential and commercial properties), as well as income from its operating business (comprising hospitality properties). Aldar Investments' revenue amounted to AED 1,829 million in 2018, of which 35.1 per cent. comprised revenue from retail properties, 29.2 per cent. comprised revenue from residential properties, 11.0 per cent. comprised revenue from commercial properties and 24.6 per cent. comprised hospitality and leisure revenue. In the six months ended

30 June 2019, Aldar Investments' recorded a new source of revenue from its cooling assets acquired at the end of 2018. Aldar Investments believes that this revenue diversification provides a balanced exposure to the key asset classes within Abu Dhabi.

In addition, in the case of its residential portfolio, approximately 48 per cent. of the units are leased on a multi-year basis, with lease terms ranging from three to 30 years to corporate and bulk tenants which have built-in annual rental escalations. This reduces earnings volatility and provides significant revenue visibility through the real estate cycle and also supports occupancy performance. As at 30 June 2019, bulk tenants represented approximately 48 per cent. of the units within Aldar Investments' residential portfolio.

Aldar Investments also believes that a significant portion of its cash flow from its investment property portfolio is predictable due to the amount of contractual base rent in its tenancy agreements, the lack of tenant termination clauses and the post-dated cheques that it requires from its tenants covering future contractual rental payments. See "*Financial review—Principal factors affecting results of operations—Revenue—Revenue from investment properties*".

Aldar Investments' business is supported by a resilient Abu Dhabi macro-economic backdrop and supportive real estate dynamics

Abu Dhabi is the richest and largest of the seven Emirates in the UAE and the city of Abu Dhabi is also the capital of the UAE federation. Abu Dhabi's economy is driven by its oil and gas production and Abu Dhabi had approximately 6 per cent. of the world's proven oil reserves (which were 1,498 billion barrels according to OPEC as at 31 December 2018) and approximately 3 per cent. of the world's natural gas reserves (which were 203,229 billion standard cubic metres according to OPEC at 31 December 2018). Abu Dhabi reported real GDP growth of 2.6 per cent. in 2016, minus 0.9 per cent. in 2017 and 1.9 per cent. in 2018 and its nominal GDP per capita was approximately U.S.$71,000 in 2016 (based on the latest available SCAD population estimate as at 30 June 2016).

There was a significant decline in international oil prices between mid-2014 and the end of 2016, which had a negative effect on Abu Dhabi's economy, see "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—The success of Aldar Investments' businesses is dependent on Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market*". As a result, the Abu Dhabi government, along with many other governments in the GCC, implemented fiscal reforms designed to boost the economy, including, in June 2018, the announcement of an AED 50 billion three-year package of measures designed to stimulate the economy, make it easier to do business in Abu Dhabi, create jobs and boost tourism. Aldar Investments believes that Abu Dhabi's economy is well placed to benefit both from improving oil prices since the start of 2017 and the benefits expected to be delivered by the fiscal reforms implemented and the stimulus package announced.

Aldar Investments believes that there are clear signs of strength in the Abu Dhabi property market, demonstrated through strong off-plan development sales and robust occupancy across its diverse property portfolio, which, despite some declines, has remained resilient in recent years.

In recent years, the Abu Dhabi real estate market has demonstrated a 'flight-to-quality' which has benefited Aldar Investments' real estate portfolio, which is predominantly geared towards the premium segment of the market. As at 30 June 2019, Aldar Investments' retail portfolio occupancy was 90 per cent., including Yas Mall at 92 per cent., its residential portfolio occupancy was 88 per cent., its commercial portfolio occupancy was 92 per cent. and its hotel property occupancy was 77 per cent. In comparison, JLL (in its publication: The Abu Dhabi Real Estate Market Q2 2019) quoted vacancy rates of 26 per cent. and 23 per cent. for commercial and retail property, respectively, in Abu Dhabi in the second quarter of 2019 and a hospitality occupancy rate of 74 per cent. for the year to May 2019. The JLL publication did not report residential occupancy or vacancy rates.

Aldar Investments' management team have a proven track record of acquiring, stabilising and maturing new assets

At the end of 2015, the Aldar Investments management team formulated an investment plan to grow the business' asset base, in line with Aldar's asset-management strategy. Pursuant to this plan, the following acquisitions have been made:

- Daman House, a high-quality commercial office building located in the Capital Gate District of Abu Dhabi Island was completed in 2014 and acquired by Aldar in December 2015;
- International Tower, a high-quality commercial office building also located in the Capital Gate District of Abu Dhabi Island was completed in 2012 and acquired by Aldar in December 2017;
- a portfolio of real estate assets worth AED 3.6 billion from Aldar, which comprised part of a larger portfolio that Aldar had earlier purchased from TDIC. Aldar Investments' portfolio, which was acquired with effect from 31 December 2018, comprised operating assets within a range of sectors, including retail, residential, commercial, hospitality and district cooling assets; and
- Etihad Plaza and Etihad Airways Centre, worth AED 1.2 billion, from Aldar. These assets together comprised 789 residential units, 18,000 m^2 of commercial office GLA and 11,000 m^2 of retail GLA.

In addition, Repton School, a purpose-built secondary school, was completed in 2017 and is leased to its operator, Repton School LLC, under a 20-year lease, with an option for the tenant to extend it for a further 15 years.

Aldar Investments also intends to acquire the Aldar Properties Expected to be Acquired in 2020 and/or 2021.

Aldar Investments' revenue and gross profit are expected to grow over the next few years, driven by the stabilisation of recent new asset additions as well as the transfer of the Aldar Properties Expected to be Acquired and any other assets that Aldar Investments may acquire.

Aldar Investments has prudent debt and cash-based dividend policies in place

Aldar Investments has a conservative debt policy that targets an outstanding debt ratio of between 35 and 40 per cent. of the total value of its asset management portfolio. Aldar Investments believes that this is a conservative approach that ensures sufficient flexibility and support throughout the real estate cycle, whilst also allowing delivery of a consistent yield to its shareholder.

As at 30 June 2019 and based on the Interim Financial Statements, Aldar Investments' debt was split between floating rate loans from commercial banks and Aldar and fixed rate debt securities, with 74.4 per cent. of Aldar Investments' gross debt being in the form of floating rate loans and 25.6 per cent. being in the form of a U.S.$500 million fixed rate sukuk maturing in September 2025.

Aldar Investments intends to maintain a level of outstanding indebtedness in line with its debt policy of between 35 and 40 per cent. of the total value of its asset management portfolio. As at 30 June 2019, Aldar Investments had total outstanding indebtedness of AED 7.1 billion, which corresponds to 36.8 per cent. of the total value of its asset management portfolio, broken down as follows:

(i) U.S.$ 500 million of fixed rate sukuk certificates due to mature in September 2025;

(ii) AED 1.8 billion bank term loans transferred from Aldar;

(iii) AED 0.5 billion bank term loan; and

(iv) AED 3.0 billion drawn under the AED 3.0 billion committed revolving credit facility provided by Aldar.

As at 30 June 2019, Aldar Investments' outstanding debt had a weighted average maturity of 5.56 years.

Aldar Investments' dividend policy is that between 65 per cent. and 80 per cent. of its distributable free cash flow should be distributed to its shareholder. Distributable free cash flow is defined as cash after deducting interest expense, maintenance costs and other overhead items.

SHAREHOLDERS

Aldar Investments' two shareholders are Aldar (which directly holds 0.1 per cent. of Aldar Investments' shares and indirectly holds 100 per cent.) and Aldar Investments Holding (Restricted) Limited (which owns 99.9 per cent. of Aldar Investments' shares and is wholly-owned by Aldar).

Aldar's major shareholders are Mubadala, which owned 37.3 per cent. of Aldar's shares as at 30 June 2019 and is wholly-owned by the Abu Dhabi government. Apart from these entities, Aldar is not aware of any other shareholder which owns more than 5 per cent. of its shares.

BUSINESS

Introduction

Aldar Investments owns and manages a portfolio of retail, residential and commercial properties as well as hospitality assets (including hotels, a serviced apartment building, golf courses and a beach club) and district cooling assets. Aldar Investments' objective is to maximise the income from, and optimise the value of, these assets.

This portfolio of assets is organised into three main segments:

- investment properties, which comprises the retail, residential and commercial properties;
- operating businesses, which comprises the hospitality properties; and
- cooling assets (which comprises two district cooling plants).

The table below summarises Aldar Investments' property portfolio as at 30 June 2019 and, in the case of the fair value, revenue and gross profit columns, for the year ended 31 December 2018.

	No. of properties[1]	No. of units / keys	Total GLA (m^2)	Occupancy[2] (%)	Fair value	Gross revenue	Gross profit
	As at 30 June 2019				As at/year ended 31 December 2018		
						(AED million)	
Retail	28	—	473,605	90	7,098	643	485
Residential	11	5,621	—	88	5,278	534	444
Commercial[3]	12	—	250,350	92	3,141	201	173
Investment properties	**51**		**723,955**	**90**	**15,517**	**1,378**	**1,102**
Hospitality[4]	14	2,764	—	77	2,407	451	87
District cooling[5]	2	—	—	—	638	—	—
Total	**67**	**—**	**723,955**	**—**	**18,562**	**1,829**	**1,189**

(1) In some cases Aldar Investments owns an entire property. In others, it simply owns a proportion of the units within a property. In some cases, Aldar Investments only has leasehold title to a property.
(2) Calculated as leased area divided by total available area as at 30 June 2019 and expressed as a percentage.
(3) Comprises office buildings and Repton School.
(4) Comprises nine hotels, one serviced apartment property, three golf courses and a beach club. The occupancy figure relates only to the hotel properties.
(5) Acquired with effect from 31 December 2018 along with other former TDIC assets purchased from Aldar, so no revenue recorded in 2018.

Investment properties portfolio

Retail

Aldar Investments owns a total of 28 retail developments comprising super-regional destination and community malls, community retail developments (which offer residents key amenities such as supermarkets, hairdressers, restaurants and dry cleaners) and two purpose-built big box retail stores (comprising an IKEA store and an ACE Hardware store) which it leases, principally under leases with terms ranging from three to 10 years. The aggregate GLA of these properties as at 30 June 2019 was 473,605 m^2 and, as at the same date, trading occupancy across the portfolio was 90 per cent.

Aldar Investments' major retail investment properties, which represented 92 per cent. of the total fair value of Aldar Investments' retail portfolio as at 31 December 2018, are:

- ***Yas Mall***, a super-regional mall with a GLA of 221,000 m^2 and 10,000 car parking bays. The anchor tenants in Yas Mall are Tryano, Carrefour, Debenhams, Vox Cinemas and Marks & Spencer. The property is a freehold. As at 30 June 2019, 92 per cent. of the GLA in Yas Mall was occupied and trading. Yas Mall is the largest shopping mall in Abu Dhabi, based on GLA. As a super-regional mall, Yas Mall has been designed to be a destination shopping experience and it is also strategically located close to major leisure attractions such as the Formula 1 race track, the Ferrari World theme park, the Yas Waterworld park and the Warner Brothers theme park (which opened in July 2018), which all help drive significant customer footfall. The majority of Aldar Investments' hospitality properties are also located near to Yas Mall to benefit from, and attract non-resident customers to, the mall. Yas Mall opened in November 2014 and, between 2015 and 2018, its footfall grew from 18 million visitors per year to 19 million. In 2018, Yas Mall generated 72.7 per cent. of the total revenue of Aldar Investments' retail properties and 24.6 per cent. of Aldar Investments' total revenue. As at 31 December 2018, Yas Mall's fair value was 29.5 per cent. of the total fair value of all of Aldar Investments' retail properties and 69.0 per cent. of the total fair value of all of Aldar Investments' properties.

  The table below shows certain financial and operating information for Yas Mall for each of 2018, 2017 and 2016:

	2018	**2017**	**2016**
Rental income (*AED million*)	450	505	523
GLA trading occupancy rate as at 31 December (*per cent.*)	89	94	92

- ***Al Jimi Mall***, a destination mall located in Al Ain, with, following its recently-completed expansion, a GLA of 77,000 m^2 and 1,300 car parking bays. The anchor tenants are Carrefour, Home Centre, Centrepoint and Magic Planet. The property is a 75-year leasehold, expiring in 2075.

- ***IKEA***, completed in 2011 and leased to an Al Futtaim group company for a period of 10 years to March 2021, is located next to Yas Mall and has a GLA of 35,600 m^2. IKEA is located in a retail park next to Aldar Investments' ***ACE Hardware*** store, which was completed in 2012 and is also leased to an Al Futtaim group company, for a period of 10 years to August 2026. ACE Hardware has a GLA of 5,800 m^2.

- ***Remal Mall***, a community mall based in Al Ain with a GLA of 47,000 m^2 and 1,200 car parking bays. The anchor tenants are Carrefour, Bounce Cinema and Pan Emirates. The property is a 50-year leasehold, expiring in 2059.

As at 30 June 2019, Yas Mall, Al Jimi Mall and Remal Mall account for 51 per cent., 11 per cent. and 10 per cent., respectively, of Aldar Investments' total retail GLA and its purpose-built retail stores account for a further 10 per cent. The remaining 18 per cent. comprises community retail facilities.

As at 30 June 2019, 20 per cent. of Aldar Investments' retail leases by GLA had terms of over five years, 20 per cent. had terms of between three and five years and 60 per cent. had terms of three years or less. The weighted average unexpired lease term across Aldar Investments' retail portfolio was 3.3 years as at 30 June 2019.

In addition to the key assets described above, Aldar Investments owns a portfolio of retail assets located within key residential communities developed by Aldar. These assets are individually small, but collectively represented 18 per cent. of Aldar Investments' total retail GLA as at 30 June 2019. The retail offering within these communities also has non-financial benefits to the business, in that it typically supports the attractiveness of Aldar Investments' key residential assets through a strong retail presence.

Residential

Aldar Investments owns a total of 5,621 residential units in 11 separate developments as at 30 June 2019. At the same date, 88 per cent. of these units had been leased. The most significant of the residential developments in which Aldar Investments' units are located, all of which contain leisure facilities and key service retail outlets, are:

- Al rayyana, a low-rise development of 33 buildings located adjacent to the Abu Dhabi National Golf Course, comprising 1,537 one, two and three bedroom apartments and a community centre including retail facilities with a GLA of 2,400 m^2 and a mosque. Aldar Investments owns all of the residential units and all of the retail GLA in this development on a freehold basis. Aldar Investments has leased approximately 20 per cent. of the residential units to a French government-related company under a 30-year lease which expires in August 2042. This development was completed in 2013.

- The Gate Towers & Arc, a high-rise development located at Shams Abu Dhabi on Reem Island. The development comprises three 65-storey towers capped with a penthouse bridge, and a 22-storey standalone building in the shape of an arc with a total of 3,533 residential units, including 21 penthouses and 16 townhouses. Aldar Investments owns 1,584 residential units in this building on a freehold basis. Aldar Investments also owns two community malls, Gate Boutik and Arc Boutik, that are located in this development. This development was completed in 2013.

- Sun & Sky Towers, which forms part of Shams Abu Dhabi on Reem Island. The 74-storey Sky Tower consists of a mix of residential and commercial units, while the 65-storey Sun Tower is entirely residential. Sky Tower comprises a total of 474 residential units and 80,000 m^2 of commercial GLA and Sun Tower comprises 680 residential units which consist of a mix of one, two, three and four bedroom units and six penthouse units. Aldar Investments owns 321 residential units and 11,600 m^2 of commercial GLA across both towers on a freehold basis. This development was completed in 2011. Aldar Investments also owns Shams Boutik, a community mall that is located in this development on a podium that is common to both towers.

- Etihad Plaza (for residential use) and Etihad Airways Centre (for office use), which are both Grade "A" buildings in Khalifa City. Together the buildings have 789 residential units, comprising a mix of 1 Bedroom Hall and Kitchen ("**BHK**"), 2 BHK and 3 BHK, along with 18,000 m^2 GLA of commercial office space and 11,000 m^2 GLA of retail space. Aldar Investments owns the freehold of both buildings, which are leased on long-term contracts to Etihad, an Abu Dhabi government-related tenant. The buildings were acquired on 30 June 2019.

Together, the residential properties listed above accounted for 84 per cent. of the total number of Aldar Investments' residential units as at 30 June 2019. Aldar Investments' other residential properties comprise smaller community developments, five of which are held under leases which expire in 2021, 2028 (two assets), 2036 and 2056, respectively.

In March 2019, Aldar Investments sold Al Murjan, a 23-storey building with 252 residential apartments, 1,000 m^2 of retail GLA and 1,500 m^2 of commercial office space located in the centre of Abu Dhabi Island. The rationale for this sale was to unlock and recycle capital of the mature AED 26 million recurring revenue generating asset.

The breakdown of Aldar Investments' residential units as at 30 June 2019 by type was 5 per cent. studio, 35 per cent. one bed, 33 per cent. two bed, 19 per cent. three bed and 8 per cent. four bed villas and townhouses. Almost all of Aldar Investments' residential properties are located in Abu Dhabi city, with only a small proportion in Al Ain.

As at 30 June 2019, 48 per cent. of Aldar Investments' residential leases by number of units had terms of more than three years and 52 per cent. had terms of less than three years, primarily reflecting one-year rolling individual tenant lease contracts. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—Aldar Investments is subject to risks associated with the expiration of leases entered into by some of its tenants*". As at the same date, approximately 45 per cent. of Aldar Investments' residential leases by number of units were bulk leases, with the balance being individual leases. The weighted average unexpired lease term across Aldar Investments' residential portfolio was 5.7 years as at 30 June 2019.

Aldar Investments currently expects to acquire the Aldar Properties Expected to be Acquired, both of which are residential assets.

Commercial

Aldar Investments owns commercial space in 12 separate developments (predominantly Grade A and Grade B office space) which it leases, principally on three- to 10-year leases. The GLA of the portfolio as at 30 June 2019 was 254,000 m^2 and, as at the same date, 91 per cent. of this commercial office space was leased. Aldar Investments' major commercial properties, which represented 69.3 per cent. of the fair value of Aldar Investments' total commercial property portfolio as at 31 December 2018, are:

- **HQ Building**, which is an iconic circular building on the Al Raha Beach development. The Grade A office building comprises 23 floors, or 48,000 m^2 GLA, of commercial office space. The tenant mix includes Abu Dhabi government departments and other major companies, such as ABB and Rolls Royce. There are four basement levels of car parking, catering for 1,200 cars. This development was completed in 2010.

- **International Tower**, which is a Grade A office building in the Capital Gate district. The building has 39,000 m^2 of commercial office space, which is leased to tenants that include The Wood Group, AECOM Middle East Limited and Abu Dhabi Systems & Information Centre, the government department responsible for information security. This development was completed in 2012 and was acquired by Aldar, as part of its investment plan, in December 2017 for AED 658 million.

- **Daman House**, which is a Grade B+ office building in the Capital Gate district. The building has 23,000 m^2 of commercial office space, which is leased to Daman, a healthcare insurance provider and an Abu Dhabi government-related tenant, on a 10-year lease, which expires in 2024. The development was completed in 2014 and was acquired by Aldar, as part of its investment plan, in December 2015 for AED 330 million.

As at 30 June 2019, Abu Dhabi government tenants accounted for 47 per cent. of Aldar Investments' total commercial GLA, Abu Dhabi government-related tenants accounted for 9 per cent., international tenants accounted for 9 per cent., local businesses accounted for 32 per cent. and the balance was vacant.

Aldar Investments' commercial portfolio predominantly comprises Grade A and Grade B buildings, with Grade A offices accounting for 42 per cent. of the commercial portfolio, Grade B accounting for 33 per cent. of the portfolio and other (Repton School) accounting for 25 per cent. of the portfolio.

The weighted average unexpired lease term across Aldar Investments' commercial portfolio was 5.7 years as at 30 June 2019.

Aldar Investments owns, and includes within its commercial portfolio, the Repton School with 20,000 m^2 of GLA, which is leased to the operator under a 20-year lease expiring in 2037.

Operating businesses portfolio

Hotel properties

Aldar Investments owns nine hotels and one serviced apartment building which are held under management with a total of 2,764 keys. Aldar Investments' hotel properties comprise:

- Seven properties located on Yas Island, including the five-star ***Yas Hotel***, which is operated by Marriott International. It overlooks the Yas Marina motor racing circuit and has 499 rooms. The other six properties comprise three four-star hotels, ***Yas Crowne Plaza***, operated by the Intercontinental Hotels Group, ***Yas Radisson Blu***, operated by the Rezidor Hotel Group, and ***Yas Rotana***, operated by Rotana Hotels and Resorts, which are all located at Yas Plaza and have an aggregate of 1,133 rooms between them, two three-star hotels, ***Yas Park Inn***, operated by the Rezidor Hotel Group, and ***Yas Centro***, operated by Rotana Hotels and Resorts, which are both also located at Yas Plaza and have an aggregate of 463 rooms between them, and ***Yas Staybridge Suites***, which comprises 164 deluxe serviced apartments operated by the Intercontinental Hotels Group and is also located at Yas Plaza.

- ***Tilal Liwa Hotel***, which is a 111 room, four-star hotel located in Abu Dhabi's Western Region and is currently operated by a third party hotel operator under the Danat Hotels brand.

- ***Westin Abu Dhabi Golf Resort & Spa***, which is a 172 room, five-star hotel located in Abu Dhabi and is currently operated by Marriot.

- ***Eastern Mangroves Hotel & Spa by Anantara***, which is a 222 room, five-star hotel located in Abu Dhabi and is currently operated by Anantara.

Hospitality properties on Yas Island accounted for 77 per cent. of Aldar Investments' room keys as at 30 June 2019. Yas Island benefits from its strategic location close to Abu Dhabi International Airport as well as proximity to major retail and leisure venues on the island (including Yas Mall, Yas Waterworld, Ferrari World, Yas Marina, Yas Links and Yas Beach) as well as government-led projects (such as the Warner Brothers theme park, which opened in July 2018, and SeaWorld Abu Dhabi, which is currently scheduled to open in 2022).

The distribution of Aldar Investments' room keys by type as at 30 June 2019 is 21 per cent. five star, 52 per cent. four star, 20 per cent. three star and 7 per cent. serviced apartments.

In the six months ended 30 June 2019, the average occupancy rate across Aldar Investments' hospitality portfolio was 77 per cent. The majority of Aldar Investments' hotels are in the three and four star category, which Aldar Investments believes is a less saturated market segment in Abu Dhabi than the five star segment. Aldar Investments' five star hotel is located on Yas Island close to major tourist attractions and the Yas Mall and principally seeks to attract high-end tourists.

Tourism has been and remains a key strategic sector for Abu Dhabi government investment. Abu Dhabi has witnessed strong growth in hotel visitor numbers in recent years, for example the number of hotel guests increased from 4.4 million in 2016 to 5.0 million in 2018 according to the Abu Dhabi Department of Culture and Tourism. Aldar Investments believes that this growth has been and is being supported by the delivery of key tourism infrastructure (such as Abu Dhabi's airport expansion project which is currently expected to complete in 2020, the establishment of a cruise ship terminal at Mina Zayed and major investments on both Saadiyat and Yas islands) and Abu Dhabi government-led marketing into key markets. In addition, the opening of the Louvre Abu Dhabi in November 2017 on Saadiyat Island and the Warner Brothers World theme park in July 2018 on Yas Island have both supported growth in tourist numbers during 2018.

Other hospitality assets

Aldar Investments owns three golf clubs in Abu Dhabi: Yas Links Golf Club (which is ranked in the top 50 in the world according to Golf Digest magazine), Saadiyat Beach Golf Club and Abu Dhabi Golf Club.

Cooling assets

Saadiyat District Cooling ("**SDC**") – Aldar Investments is the sole owner of SDC, a 11,000 refrigeration tons ("**RT**") district cooling plant network and energy transfer station ("**ETS**") facilities on Saadiyat Island.

The plant provides district cooling to New York University, Abu Dhabi. All of the plant's capacity is currently allocated to New York University, Abu Dhabi and cannot at present accommodate any additional clients.

Saadiyat Cooling ("**SC**") - SC is a company owned by Aldar Investments (85 per cent.) and Veolia Energy Gulf W.L.L (15 per cent.) which signed a 29-year concession agreement with TDIC on 30 December 2010, granting SC the right to establish three district cooling plants (DCP1,2,3) and ETS facilities:

- DCP1: Planned development in 2020;

- DCP2: Commercial operations in August 2013 with the capacity of 12,500 RT; and

- DCP3: Commenced operations in June 2015 with capacity of 35,000RT.

The plants have the capacity to accommodate demand from new developments and the plants are managed by Veolia Energy Gulf W.L.L under an operations and maintenance agreement.

In addition, with effect from 31 December 2018, Aldar Investments acquired two district cooling plants from Aldar, which Aldar had previously acquired from TDIC. In the six months ended 30 June 2019, these two plants contributed gross revenue of AED 51 million (equal to 4.6 per cent. of Aldar Investments' total gross revenue (excluding service charge) in the period) and gross profit of AED 22 million (equal to 3.2 per cent. of Aldar Investments' total gross profit in the period).

Investment property portfolio management

Aldar Investments' portfolio management activities comprise the full suite of the real estate asset management lifecycle including asset positioning, revenue and cost optimisation, pricing strategy, asset performance monitoring, analysing assets for investment and divestitures as well as oversight of leasing, property management and facilities management. All of these activities are undertaken on Aldar Investments' behalf by Aldar in accordance with the Asset Management and Services Agreement, through separate asset management teams that oversee Aldar Investments' investment properties and, where relevant, its hospitality assets (see "*Management and Employees–Employees*"). Each asset is assigned to a senior asset director within the relevant team who has principal responsibility for the management of the asset.

Aldar Investments takes a cradle to grave view on each asset with the objective of optimising value, generating synergies and cross-selling opportunities within the portfolio as a whole. A robust leasing strategy focused on long term revenue maximisation is supported by data centric monitoring to mitigate risk and find innovative sources of additional revenue and cost rationalisations.

Aldar Investments measures every service provider engaged with an asset against the highest industry standards and is continuously looking to implement best in class practices across operations, customer service and revenue collection. Asset performance is continuously scrutinised for improvements and against market benchmarks.

Through continuous monitoring of the portfolio, Aldar Investments makes informed decisions on divestitures of assets which may no longer be a good fit, allowing it to recycle capital effectively. In addition, Aldar Investments' standing in the sector gives it significant visibility on new deals in the market, allowing it to analyse and selectively deploy capital on new acquisitions.

Active asset management

Aldar Investments focuses on asset management to enhance the value of its properties. In accordance with the Asset Management and Services Agreement, detailed business planning is conducted for each property which allows asset performance to be reviewed and constantly monitored, with monthly updates on key performance indicators ("**KPIs**") in order to increase asset values, and address potential problems that may arise in any of the properties. Performance reviews, site visits and on-going supervision by the asset management team allows Aldar Investments to make proactive strategic decisions with respect to its properties.

Leasing is a core activity of Aldar Investments' operations. The asset management team manages the leasing of Aldar Investments' retail centres, commercial and residential properties. In the case of residential leasing, the team's primary focus is on initial leasing and bulk tenants, as individual tenant renewals are managed by the relevant residential property manager. The team is responsible for: (i) conducting rent negotiations, re-leasing and renewals; (ii) managing tenant relationships; (iii) administering leases, re-sizing and re-allocating existing space to maximise asset value; (iv) monitoring tenant mix, store sizes, store locations, sales and tenant credit risk; and (v) customer satisfaction management.

In accordance with the Asset Management and Services Agreement, a full time specialised health and safety consultant manager is responsible for health and safety at Aldar Investments' retail, residential and commercial properties and advises the asset management team on health and safety issues.

Retail Properties

Aldar Investments seeks to continuously strengthen the market position of its retail properties by maintaining a high quality tenant base, high occupancy rates and high footfall to maximise its tenants' sales and, as a result, Aldar Investments' rental income. Aldar Investments focuses on increasing the value and performance of its retail properties for the long term. To achieve that, the asset management team concentrates on maximising revenue and actively implements asset management strategies, including refurbishment, redevelopment and extensions, while also focusing on repositioning, tenant engineering, tenant mix reviews, marketing and customer relations management. Aldar Investments believes that the implementation of these strategies will increase per capita spending levels in its retail properties and, as a result, its retail tenants' turnover and profitability. The asset management team also manages promotional activities and events in Aldar Investments' shopping malls on a regular basis, with a view to increasing footfall and developing and maintaining customer loyalty. One of Aldar Investments' major priorities is securing strong links with tenants and maintaining sustainable rental levels.

The asset management team analyses Aldar Investments' commercial standing and relationships with its retail and commercial tenants. This is done by monitoring the sales turnover of its tenants, based on information and schedules provided by its tenants either through co-operation and agreement or through contractual arrangements, as well as rental levels and payment history. Using scientifically captured data, the asset managers analyse trends and variances to make informed decisions on value optimisation. Regular risk assessments are carried out in relation to Aldar Investments' assets and their management, and action is quickly taken to mitigate and limit risks should any be identified. Aldar Investments believes that active asset management is essential to create and enhance additional market value, and it is committed to actively pursuing asset management strategies, and to expanding its expertise in this area in the future.

Aldar Investments' retail leasing strategy is to identify and secure a profitable, attractive and sustainable tenant mix, taking into account the location characteristics and the target customer base of the relevant retail property. Aldar Investments attempts to secure a diverse mix of tenants and to mitigate excess financial exposure to any particular tenant. Aldar Investments also attempts to secure brands and concepts that are new to the market as well as lease contracts with entertainment service providers in order to attract more consumers and increase footfall at its larger shopping malls. Aldar Investments believes that securing anchor tenants at its shopping malls facilitates securing tenants for smaller retail units and food court units, as well-known anchor tenants attract a significant level of consumer footfall.

Aldar Investments' retail leases may require its tenants to pay it quarterly base rent or a base rent plus a variable turnover rent based on the tenant's actual turnover for the period, whichever is higher. Aldar Investments believes this mechanism enables it to build stable long-term relationships with its tenants and to benefit from the success of its tenants. Aldar Investments believes that these lease contracts contribute to higher overall occupancy rates, lower turnover of tenants and, ultimately, higher rental income.

Commercial Properties

Aldar Investments' commercial portfolio is predominantly geared towards commercial office space. The office letting strategy is to maintain high quality office space and build long-term relationships with corporate and government tenants. This is demonstrated through the stable and high occupancy levels and low exit on renewals of these clients throughout the portfolio. External advisors identify tenants for most of Aldar Investments' office properties, under the supervision of the asset directors who manage relations with its external advisors. The team also receives feedback from tenants regarding market rates and trends and conducts extensive market research to ensure they have an understanding of current market trends and leasing rates in both the grade A and grade B office sectors. Aldar Investments targets initial lease terms for its commercial properties of not less than three years and ideally between five and seven years.

Residential properties

The asset management team's role in relation to Aldar Investments' residential properties includes:

- developing the overall residential portfolio strategy and individual asset plans, including asset enhancement initiatives;
- undertaking feasibility studies for residential asset acquisitions, disposals and restructuring;
- ensuring yield management, including monitoring residential asset targets and taking appropriate corrective actions where necessary;
- agreeing service level agreements and KPIs with property management and facility management service providers and managing and monitoring those providers against their KPIs;
- analysing all performance reports prepared by the service providers; and
- conducting site visits and inspections, developing residential community event plans and recommending potential residential asset improvement initiatives.

Aldar Investments' residential leasing strategy focuses on diversifying the tenant mix between individuals, who generally have one-year renewable leases, and multi-year bulk tenancy agreements with corporates.

Standard lease terms

In the UAE, the market practice is to use short-form standard contracts for tenancies. Aldar Investments has a standard lease contract which includes the following provisions:

- *Lease term*: this is typically a renewable one-year period for residential individual tenant leases and renewable periods of three to 30 years for bulk residential leases. For offices, lease terms are generally between three and five years initially, renewable for periods between three and seven years. For retail properties, lease terms are typically from five to 10 years for anchor tenants and typically three to five years for smaller properties. In many of its residential developments, Aldar Investments' strategy is to seek to let a proportion of the development on bulk tenancies, which generally have longer terms but are lower yielding, with the balance being let on individually negotiated tenancies once an initial critical mass has been achieved. In its retail malls, Aldar Investments seeks to attract anchor tenants on generally longer term leases as this helps to attract other tenants.

- *Rent*: this is typically required to be paid on a periodic basis and in advance and many tenants are required to pay by post-dated cheque, as any failure to honour a cheque is a criminal offence in the UAE.

- *Service charges*: service charges include the costs incurred in managing, cleaning, maintaining and repairing the leased property and any property in common use, costs of utilities and other costs. These are typically paid by the landlord for residential assets and by tenants for commercial and retail assets, except in some leases where recoverable service charges from the tenants are also capped.

- *Promotion fund*: the tenant in certain retail malls and other similar premises may be obliged to pay for the promotion of premises and for special occasion and seasonal decorations.

- *Assignment, sub-letting and other transfers*: the tenant cannot assign, sublet, transfer or otherwise deal with the premises, without the prior written consent of the landlord.

- *Default provisions*: these include events of default for non-payment of rent by the tenant, breach of any other term of the lease which is not remedied within a defined period and bankruptcy of the tenant. If an event of default occurs, the landlord may terminate the lease and re-let the property.

Overseeing property management

Aldar's strategy is to control the property management function across all residential, retail and commercial assets it manages to drive asset level performance.

The asset management team actively supervises the property management services for all Aldar Investments' investment properties. The property managers are responsible for, among other things (i) property accounting; (ii) cleaning, maintenance, security and landscaping of any common areas; (iii) utility cost management and (iv) asset-level marketing. Cleaning, maintenance, security and landscaping activities are outsourced to external professionals. Aldar Investments is currently able to charge its tenants for a major part of the property management expenses in its retail and commercial properties. Aldar Investments also strives to achieve greater efficiency through the use of new technologies and aims to achieve expense optimisation for its tenants and decrease their occupancy costs per square metre without compromising the quality of the services provided.

Residential and commercial property management is currently outsourced to Provis Real Estate Management LLC, a property management operator that is wholly-owned by Khidmah L.L.C. ("**Khidmah**"), an Aldar subsidiary, under the direct supervision of the asset management team. Provis' duties include:

- ensuring each property is well maintained and managing the activities of the facility management service provider;

- ensuring resolution of all issues raised by tenants;
- managing the overall tenant relationship, including customer service, call centre and complaint handling;
- co-ordinating unit handovers, office fit-outs and move-ins while dealing with snagging issues;
- managing all lease renewals and ensuring rent collections;
- preparing performance reports, covering financial, operational, call centre and other aspects, for the asset management team; and
- running, and providing input into, community events and executing asset improvement initiatives, in each case as delegated to it by the asset management team.

Hospitality asset management

Aldar Investments does not operate four of its hotel properties. Instead, it employs reputable international operators through hotel management agreements to manage the day-to-day operation of these assets. Aldar Investments' five other hotel properties and its serviced apartment building (Yas Staybridge), each located at Yas Plaza, Yas Island, Abu Dhabi, are operated on a franchise model through franchise agreements, whereby Aldar Investments has created a hotel management platform comprising hotel management experts to oversee these.

Aldar Investments' asset management approach in relation to its hotel properties includes monitoring room pricing, targeted capital improvements to enhance and/or expand the facilities offered and active oversight of the on-property management teams. In accordance with the Asset Management and Services Agreement, the hospitality experts in the asset management team collaborate with and/or provide input to the hotel management companies or operators on the development of each property's business plan, ongoing budgeting and capital expenditure programme in order to implement the above strategies. The team also closely monitors the monthly performance of Aldar Investments' hotel properties and conducts regular physical inspections. See "*Risk factors—Risks relating to Aldar Investments' investment properties and operating businesses—Aldar Investments' objectives may conflict from time to time with the objectives of one or more of its hotel management companies, which may adversely impact the operation and profitability of one or more of Aldar Investments' hotel properties*".

Aldar Investments' agreements with its hotel management companies or operators have initial terms ranging from 15 to 20 years, and typically can be extended either at the management company's or operator's option or automatically, subject to notice to terminate.

The management agreements typically provide that the management company will receive a range of fees that may include one or more of a lump sum consulting fee, a fee expressed as a percentage of the property's gross operating revenue and/or an incentive fee expressed as a percentage of the property's gross operating profit. The franchise agreements provide that the hotel operator will receive a fee expressed as a percentage of the room revenue generated by the relevant property.

Under the management agreements, the management company is typically responsible for the payment, on Aldar Investments' behalf, of any relevant property taxes, repair and maintenance costs, utilities, insurance and employment-related expenses, whereas under the franchise agreements, the hotel management platform team created by Aldar Investments is responsible for such payments. The management company and hotel operators are typically delegated the power to maintain the property in good repair and condition and make all necessary routine repairs and minor alterations that it considers appropriate, as well as more significant improvements subject to Aldar Investments' approval.

The management agreements also typically require the management companies to furnish services that they generally make available to other hotels and resorts managed by them, including the instalment and operation of computer systems and reservation services, management and administration services, marketing and sales services and human resource training services. On the other hand, under the franchise agreements the hotel operator provides advisory services in relation to such services.

Termination events under the agreements typically include:

- default (which entitles the non-defaulting party to terminate);
- certain factors that enable Aldar Investments to terminate, including failure by the management company or operator to meet certain performance criteria and a disposal of the property by Aldar Investments; and
- certain factors that enable the management company or operator to terminate, including its determination that Aldar Investments has inadequate financial capacity to perform its obligations.

In some cases, termination may result in Aldar Investments paying termination fees.

The agreements may also contain restrictions on the management company or operator assigning the agreement and/or operating competing properties within a defined area and may also restrict Aldar Investments' ability to dispose of the managed property during the term of the relevant agreement.

Aldar Investments operates the day-to-day operations of its golf courses and beach club properties either directly through an established management team or through reputable international operators under management agreements.

Property purchases and sales

Aldar Investments' strategy includes pursuing portfolio growth opportunities through the acquisition of new assets, including the Aldar Properties Expected to be Acquired. See also *"Risk factors—Risks relating to Aldar Investments generally—The interests of Aldar may not always be the same as those of the holders of the Certificates*".

Whilst Aldar Investments' strategy is predominantly focused around growth, Aldar Investments will also assess opportunities to recycle capital through the sale of lower yielding assets and reinvesting the capital received in higher yielding assets and/or assets where Aldar Investments believes it can drive value creation. The sale of Al Murjan in March 2019 reflects this approach.

COMPETITION

Aldar Investments is the largest real estate management company in Abu Dhabi in terms of total assets managed. Aldar Investments faces competition across its businesses.

In the retail sector, Aldar Investments principally faces competition when seeking to attract tenants to its shopping centres from several established regional malls and expects this competition to increase as new shopping malls (such as the super-regional Al Maryah Central Mall which is due to open in 2019 and Reem Mall which is due to open in 2020) which are currently under development are completed. Retailers typically make their real estate selection decision on a variety of factors, including footfall, quality of merchandise mix, relevance to catchment characteristics and occupancy cost burden. Aldar Investments seeks to make its projects attractive to potential tenants through active management, relevant merchandising strategies, robust marketing and communications strategies, and appropriate enhancement programmes.

Aldar Investments' commercial office and residential properties compete with other similar properties located in Abu Dhabi to attract tenants. Any oversupply of competing commercial and residential properties in Abu Dhabi, whether as a result of new developments or a decrease in the number of tenants or other occupants due to a decline in economic activity, may adversely affect Aldar Investments' rental income. Landlords of commercial and residential properties compete to attract tenants based upon rental rates, operating costs, location, condition and features of the property. If competing properties have lower rents, lower operating costs, more favourable locations or better facilities, Aldar Investments' ability to attract tenants and the rental rates that it can charge at its commercial and residential properties may be adversely affected.

The ability of Aldar Investments' investment properties to remain competitive and attract local and international tenants and visitors, also depends on Aldar Investments' continued and effective management of its properties and successful execution of its business strategies, including asset enhancement projects.

In the hospitality sector, Aldar Investments principally faces competition from other hotels in Abu Dhabi. Competition is generated across all demand segments: corporate, conference, incentives and leisure and across all reservation channels. Aldar Investments seeks to differentiate itself by employing multiple reputable international operators featuring brand recognition, reservation channels, loyalty programmes and management expertise. At the same time, Aldar Investments' efforts are focused on controlling operational costs by asset management activities, centralising contracts and procurement and clustering roles (for example, shared teams and shared payroll across multiple properties). In addition, Aldar Investments' strategy is also to undertake strategic capital expenditure across its hospitality portfolio in order to enhance the food and beverage and other offers (for example, restaurant expansion and refurbishment, gym refurbishment and developments of kids clubs), as well as generating savings in operational costs (for example through the use of solar panels).

INSURANCE

Aldar Investments has outsourced the management of its insurance programme to Aldar under the Asset Management and Services Agreement. Aldar pursues a risk-based approach to devise and implement its insurance strategy and the insurance it obtains covers all of its group companies, including Aldar Investments. Aldar's main corporate property all risk insurance programme covers reinstatement of operational assets and indemnity for losses arising due to machinery break down and business interruption and is tailored to suit the requirements of the insured entities.

Aldar also has in place third party liability policies with indemnity appropriate to the activities of the insured entities, as well as fraud protection and director and officers' liability policies. Aldar carefully selects its insurance and reinsurance partners for its insurance programme and also relies on professional services of reputable international insurance brokers for advising on insurance matters and brokering.

INFORMATION TECHNOLOGY

Aldar Investments has outsourced the management of its IT systems and software to Aldar under the Asset Management and Services Agreement. Aldar seeks to ensure that the IT systems and software of all of its group companies, including Aldar Investments, meet the requirements of the relevant company's business, are effectively maintained and are kept up to date. Aldar has invested in advanced hardware and network infrastructure with two main data centres and all offices are connected through a high capacity secure multiprotocol label switching network.

Aldar has in place a disaster recovery system which includes a disaster recovery data centre that accommodates most business critical systems, including enterprise resource planning, file server, email system, document control, intranet, email archiving system and other databases.

Aldar has implemented a robust security architecture and has deployed up-to-date security technologies to prevent cyber threats and detect security incidents. Access to data and all information assets is strictly based on need-to-know and need-to-have principles. Data leakage prevention technology control has been deployed to prevent data leakage incidents. Security monitoring tools and technologies and processes are also in place to correlate security events and trigger security alerts based on detected anomalies.

Aldar's IT services have been awarded ISO/IEC 27001:2013 certification, which recognises the existence of systems and processes to protect all of its corporate and client information assets.

MANAGEMENT AND EMPLOYEES

Board

The Board is responsible for providing effective oversight of Aldar Investments' management and operations. It also oversees the adequacy and effectiveness of corporate governance and internal controls and approves Aldar Investments' budget and its half-yearly and annual audited financial statements. The Board meets at least every quarter and more frequently if required.

The Board has authority to exercise full control in respect of Aldar Investments' management, operations and key corporate actions. However the articles of association of Aldar Investments require the Board to submit half-yearly and annual audited financial statements and annual reports to Aldar.

The name and title of each member of Aldar Investments' Board is set out in the table below:

Name	Title
Talal Al Dhiyebi..	Chairman and non-executive director
Jassem Busaibe..	Chief Executive Officer
Greg Fewer..	Non-executive director
Jahed Rahman	Non-executive director

Brief biographical details of each member of the Board are set out below:

Talal Al Dhiyebi, Chairman and non-executive director

Mr. Al Dhiyebi was appointed as the Chairman of the Board on 8 July 2018.

Mr. Al Dhiyebi is also the Chief Executive Officer of Aldar having previously held the position of Chief Development Officer, Executive Director of Asset Management since the merger between Aldar and Sorouh Real Estate PJSC ("**Sorouh**") in 2013. He has held a number of senior positions at Aldar and currently also serves on the boards of Abu Dhabi Motorsports Management, Al Jazira Capital and Aldar Academies.

Mr. Al Dhiyebi holds a Bachelor's degree in Electrical Engineering (Honours) from the University of Melbourne, Australia.

Jassem Busaibe, Chief Executive Officer Mr. Busaibe was appointed as a member of the Board on 8 July 2018 and as Chief Executive Officer of Aldar Investments in February 2019. In this role, Mr. Busaibe oversees the implementation of Aldar Investments' strategy through the active management and growth of its portfolio.

Mr. Busaibe has over 15 years' 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 is currently also the Chief Investment Officer at Aldar. He is also chairman of the boards of Khidmah and Pivot Engineering & General Contracting Co. (WLL) ("**Pivot**"), an Aldar subsidiary. Before joining Aldar, his previous roles were Chief Financial Officer of General Holding Corporation (Senaat), Chief Executive Officer of Arady Properties, an investment company focused on the private equity and real estate sectors in the GCC, Senior Vice President of Private Equities at Invest AD, an Abu Dhabi-based investment company, and Portfolio Manager at Abu Dhabi Investment Authority (ADIA), where he focused on European equities.

Mr. Busaibe is a CFA Charter holder and holds a Master's degree in Finance from the London Business School, United Kingdom.

Greg Fewer, non-executive director

Mr. Fewer was appointed as a member of the Board on 8 July 2018.

Mr. Fewer is also the Chief Financial Officer of Aldar. He also sits on the boards of Aldar Academies, Khidmah and Abu Dhabi 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 programme in the commercial finance market.

Mr. Fewer holds a BComm (Hons) from the University of Manitoba, Canada and an MBA from London Business School, United Kingdom.

Jahed Rahman, non-executive director

Mr. Rahman was appointed as a member of the Board on 8 July 2018.

Mr. Rahman has been with Aldar from January 2013 and, as well as being a non-executive director of Aldar Investments, is also an Executive Director within Aldar's asset management division. In that capacity, he has a broad range of responsibilities which include oversight of Aldar's portfolio of non-traditional real estate businesses (including schools, hotels, leisure and real estate services). His team is also tasked with executing corporate and asset acquisitions and disposals, business planning, financial analysis and valuations for the wider asset management portfolio. Mr. Rahman retains responsibility at Aldar for those parts of Aldar's asset management business that have not been transferred to Aldar Investments.

Mr. Rahman sits on the boards of a number of Aldar subsidiaries, including Khidmah and Yas Hotel. In addition, Mr. Rahman represents Aldar on the Abu Dhabi F1 Working Committee, sits on the Board of Trustees for Cranleigh School Abu Dhabi and is also an adviser to several Abu Dhabi entities on real estate investment and development related matters.

Prior to joining Aldar, Mr. Rahman was an investment banker and has over a decade of mergers and acquisition and corporate finance experience gained at firms such as Credit Suisse and Dresdner Kleinwort Benson in London and Dubai.

Mr. Rahman has a Master's degree in Law (Jurisprudence) from Queen's College, Oxford University, United Kingdom.

Business Address and Conflicts

The business address of each member of the Board is HQ Building, Al Raha Beach, Abu Dhabi, UAE. The members of Aldar Investments' Board are subject to fiduciary duties under UAE laws which regulate conflicts of interest as well as corporate conflicts of interest policies. In addition, all investment decisions are required to adhere to asset management investment policies designed to ensure transactions are done on an arms' length basis. On this basis, potential conflicts of interest between the duties of the members of the Board to Aldar Investments and their private interests or other duties are appropriately mitigated.

Board committee

Audit and risk committee

Aldar Investments plans to create an Audit and Risk Committee to ensure the observance of high standards of corporate governance and risk management. In particular, the Audit and Risk Committee will be responsible for overseeing the financial reporting process, ensuring the internal environment is functioning correctly, reviewing Aldar Investments' risk profile, ensuring levels of various risks are within prudent limits and ensuring compliance with applicable governing laws and regulations. The Audit and Risk Committee will be required to report any material findings to the Board.

Employees

Aldar Investments has no employees.

On 9 September 2018, Aldar Investments entered into the Asset Management and Services Agreement with Aldar. Under this agreement, Aldar provides or procures both asset management and all necessary corporate services to Aldar Investments, including all of the services discussed elsewhere in this Prospectus.

Under the Asset Management and Services Agreement, Aldar is entitled to an annual management fee, equalling 0.5 per cent. of the gross value of assets under management for that financial year which is payable quarterly. It is also entitled to reimbursement of costs incurred that are directly attributable to specific assets in the portfolio.

The Asset Management and Services Agreement has a five-year term and will be renewed automatically unless terminated by either party giving its counterparty at least 90 days written notice of termination. The Asset Management and Services Agreement may also be terminated if Aldar is in breach of the agreement or becomes insolvent and by Aldar if Aldar Investments is in material breach.

In accordance with certain instructions issued by Aldar Investments under the Asset Management and Services Agreement, in performing its services under the Asset Management and Services Agreement, Aldar must obtain the approval of the board of directors of Aldar Investments on certain matters including, without limitation, (i) setting Aldar Investments' dividend policy, debt policy, procurement policy and budget, (ii) any acquisitions or disposals of real estate, and (iii) entering into any transaction or any contract with any related party of Aldar Investments or Aldar.

OVERVIEW OF THE UAE AND ABU DHABI

THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the UAE. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

Based on IMF data from its April 2019 World Economic Outlook database, in 2018 the UAE was the third largest economy in the MENA region after Saudi Arabia and Iran. It has a more diversified economy than most of the other countries in the GCC. According to data in the OPEC Annual Statistical Bulletin for 2019, as at 31 December 2018, the UAE had approximately 6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world). Based on IMF World Economic database data, real GDP growth in the UAE was 3.0 per cent. in 2016, 0.8 per cent. in 2017 and 2.8 per cent. in 2018.

The UAE generally enjoys good relations with the other states in the GCC, although the UAE is currently, along with Saudi Arabia, Bahrain and certain other countries, applying sanctions to Qatar. The UAE also has a longstanding territorial dispute with Iran over three islands in the Gulf and is part of a regional coalition that is conducting military operations in the Yemen against the Houthi militia. In June 2018, the UAE and Saudi Arabia announced a new five-year joint vision for economic, developmental and military integration through 44 joint strategic projects, including a unified strategy for food security, medical stocks, a common supply security system and joint investment in oil, gas and petrochemicals.

ABU DHABI

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Reserves

Abu Dhabi, with crude oil reserves estimated to be approximately 90 billion barrels, has approximately 95 per cent. of the UAE's total reserves and approximately 6 per cent. of the proven world oil reserves (which were 1,498 billion barrels according to OPEC at 31 December 2018). As at 31 December 2018, the UAE had the world's sixth largest proven crude oil reserves according to OPEC. At the current rate of production (around 3 million barrels per day), Abu Dhabi's oil reserves are expected to last in excess of 80 years. In terms of production capacity, Abu Dhabi's onshore facilities currently exceed its offshore facilities.

Population

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2005.

	1985	1995	2005	2010	2016/7
Abu Dhabi population	566,036	942,463	1,399,484	2,094,480[(1)]	2,908,173[(1)]
Total UAE population	1,379,303	2,411,041	4,106,427	8,264,070[(2)]	9,304,277[(2)]

(1) SCAD estimates of the usual residential population at 30 June 2016, the latest available.
(2) FCSA estimates of the registered resident population at 31 December 2017, the latest available.
Sources: SCAD (Abu Dhabi population figures) and FCSA (UAE population figures)

As at 30 June 2016 and based on SCAD estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 16.6 per cent. being under the age of 15. The historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the population of UAE citizens living in Abu Dhabi growing at an annual average rate of 3.9 per cent. and the non-national population growing at an annual average rate of 6.0 per cent. over the period. The population mix as at 30 June 2016 comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female as at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

Education and training are an important strategic focus for the Emirate. Based on the latest available SCAD data, the literacy level at age 10 and over was 93.8 per cent. for 2016. A key government policy is the creation of jobs for the local population supported by initiatives to educate and motivate young nationals to join the workforce and the private sector.

Nominal GDP

The table below shows Abu Dhabi's nominal GDP, its percentage growth rate, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2014	2015	2016	2017	2018*
		(AED billions, except for percentages)			
Abu Dhabi nominal GDP	960.1	778.5	760.4	813.6	931.0
Percentage change in Abu Dhabi nominal GDP	3.0	(18.9)	(2.3)	7.0	14.4
UAE nominal GDP	1,480.5	1,315.3	1,311.2	1,387.1	1,521.1
Abu Dhabi as a percentage of UAE..................	64.9	59.2	58.0	58.7	61.2

Sources: SCAD (for Abu Dhabi nominal GDP) and FCSA (for UAE nominal GDP)
* Preliminary estimates

Abu Dhabi's nominal GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 50.6 per cent. of nominal GDP in 2014, 35.1 per cent. in 2015, 31.7 per cent. in 2016, 34.1 per cent. in 2017 and 40.4 per cent. in 2018. The contribution of the hydrocarbon sector in nominal terms is materially affected by the prevailing level of oil prices. Outside the hydrocarbon sector, the principal contributors to Abu Dhabi's nominal GDP in each of 2014, 2015, 2016, 2017 and 2018 have been:

- construction (which accounted for 9.2 per cent. of Abu Dhabi's nominal GDP in 2018);
- financial and insurance activities (which accounted for 8.4 per cent. of Abu Dhabi's nominal GDP in 2018);
- public administration and defence, compulsory social service (which accounted for 7.0 per cent. of Abu Dhabi's nominal GDP in 2018);
- manufacturing (which accounted for 6.7 per cent. of Abu Dhabi's nominal GDP in 2018);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.0 per cent. of Abu Dhabi's nominal GDP in 2018); and
- real estate activities (which accounted for 4.9 per cent. of Abu Dhabi's nominal GDP in 2018).

Together, these non-hydrocarbon sectors accounted for, 33.5 per cent. of nominal GDP in 2014, 44.0 per cent. in 2015, 47.2 per cent. in 2016, 47.1 per cent. in 2017 and 41.2 per cent. in 2018.

Real GDP

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only the effects of production changes. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as the production of certain related products. Certain production information is set out under "—*Hydrocarbon production and exports*" below, although this data does not necessarily cover all items that are included in Abu Dhabi's hydrocarbon real GDP calculations.

The tables below show the growth rates in Abu Dhabi's real GDP by the hydrocarbon sector and the non-hydrocarbon sector for each of the years indicated.

	2014	2015	2016	2017	2018*
			(per cent.)		
Abu Dhabi hydrocarbon real GDP growth	0.5	4.4	2.7	-2.9	3.4
Abu Dhabi non-hydrocarbon real GDP growth	8.6	5.5	2.4	1.8	4.6
Abu Dhabi total real GDP growth	4.4	4.9	2.6	-0.9	1.9

Source: SCAD
* Preliminary estimates

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy grew strongly in 2014 and 2015, with real GDP growth rates for that sector being 8.6 per cent. and 5.5 per cent., respectively, in those years. Real GDP growth for the non-hydrocarbon sector slowed to 2.4 per cent. in 2016, 0.9 per cent. in 2017 and 0.6 per cent. in 2018.

The tables below show Abu Dhabi's real GDP, its percentage growth rate, the UAE's real GDP and the percentage contribution of Abu Dhabi's real GDP to the UAE's real GDP for each of the years indicated.

	2014	2015	2016	2017	2018*
	(AED billions, except for percentages)				
Abu Dhabi real GDP (constant 2007 prices)	733.8	770.0	789.7	782.3	797.3
Percentage change in Abu Dhabi real GDP	4.4	4.9	2.6	-0.9	1.9
UAE real GDP (constant 2010 prices)	1,302.6	1,369.1	1,411.1	1,418.0	1,442.5
Abu Dhabi as a percentage of UAE	56.3	56.2	56.0	55.2	55.3

Sources: SCAD (for Abu Dhabi real GDP) and FCS A (for UAE real GDP)
* Preliminary estimates

The fastest growing sectors between 2014 and 2018 were:

- activities of households as employers, with a compound annual growth rate of 7.55 per cent.;
- accommodation and food service activities, with a compound annual growth rate of 5.67 per cent.;
- information and communication, with a compound annual growth rate of 5.25 per cent.;
- manufacturing, with a compound annual growth rate of 5.03 per cent.;
- education, with a compound annual growth rate of 4.86 per cent.;
- real estate activities, with a compound annual growth rate of 4.55 per cent.; and
- financial institutions and insurance, with a compound annual growth rate of 4.51 per cent.

Hydrocarbon production and exports

The table below shows Abu Dhabi's oil crude oil production (including condensates), exports and average selling prices for each of the years indicated.

	2014	2015	2016	2017	2018
Crude oil production **(million b/d)**	3.0	3.1	3.3	3.0	3.0
Crude oil exports **(million b/d)**[(1)]	2.5	2.4	2.6	2.4	2.3
Crude oil exports **(U.S.$ billions)**[(2)]	72	32	25	26	34
Average selling price **(U.S.$ per barrel)**	99	52	44	41	72

Notes:
(1) ADNOC and industry shareholders combined.
(2) ADNOC only.
Source: ADNOC

The table below shows production and export figures for Abu Dhabi's principal hydrocarbon products in each of the years indicated.

	2014		2015		2016		2017		2018	
	Production	Exports	Production	Exports	Production	Exports	Production	Exports	Production	Exports
					(thousand metric tonnes)					
LNG(1)........	6,047	5,856	5,929	5,625	5,996	5,929	5,831	5,680	5,601	5,418
LPG(1)	8,285	8,233	9,200	8,966	9,384	9,216	11,029	10,783	9,886	9,482
Paraffinic naphtha(2)	2,767	2,753	3,191	3,204	3,564	3,560	4,111	3,931	3,663	3,546
Sulphur(3) ...	2,161	2,153	4,356	4,342	6,084	6,064	6,440	6,274	6,797	6,610

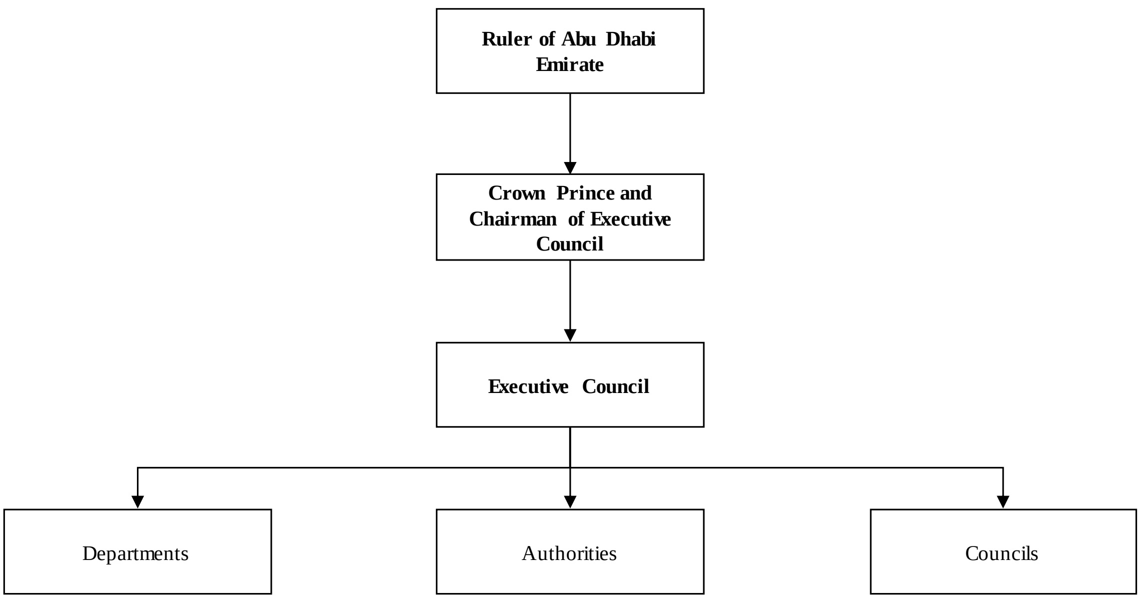
Notes:
(1) ADNOC LNG production and exports. ADNOC LNG is 70 per cent. owned by ADNOC.
(2) ADNOC share of the production of ADNOC LNG and ADNOC Gas Processing. ADNOC Gas Processing is 68 per cent. owned by ADNOC.
(3) ADNOC share of the production of ADNOC LNG, ADNOC Gas Processing and ASNOC Sour Gas, a company which is 60 per cent. owned by ADNOC and commenced gas production at its Shah gas plant in January 2015.
(4) The figures in the table above do not account for changes in inventories.
Source: ADNOC

Government structure

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 19 members appointed by the Ruler of Abu Dhabi through an Emiri Decree issued in January 2019.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and each department manages a specific portfolio. Departments include, for example, the Department of Finance, the Department of Energy, the Department of Transport, the Department of Urban Planning and Municipalities, the Department of Health, the Department of Economic Development, the Department of Education & Knowledge and the Department of Culture & Tourism. Authorities manage the emirate's resources and strategies and include the Accountability Authority, the Higher Authority for Specialized Zones (Zones Corp) and the Abu Dhabi Media Zone Authority. Councils act as controlling bodies for certain government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards and include the Council for Economic Development and the Regulation and Supervision Bureau for the Water, Wastewater and Electricity Sector in Abu Dhabi.

The chart below summarises the structure of the Government.



The Government owns or has material shareholdings in a number of significant companies and institutions, including ADNOC, Abu Dhabi Investment Authority, Mubadala Investment Company, General Holding

Corporation and Etihad Airways. Each of these companies is wholly-owned by the Government and one or more members of the Executive Council sit on the board of most of these companies.

RECENT DEVELOPMENTS IN THE ABU DHABI REAL ESTATE MARKET

The information set out below has been derived from research published by JLL (The UAE Real Estate Market 2016: A Year in Review, The UAE Real Estate Market 2017: A Year in Review, The UAE Real Estate Market 2018: A Year in Review and The UAE Real Estate Market Q2 2019). GDP data is derived from official SCAD publications.

Macroeconomic overview

Oil prices continued to remain low in 2016 following a significant fall in the second half of 2014 and continuing declines in 2015. In 2016, Abu Dhabi's nominal GDP fell by 2.3 per cent. and its real GDP (which eliminates the impact of oil price changes) grew by 2.6 per cent. in 2016. Oil prices began to recover in 2017, although at the end of the year they remained well below the levels reached in mid-2014. Reflecting the increase in oil prices, Abu Dhabi's nominal GDP grew by 7.0 per cent. in 2017, although its real GDP declined by 0.9 per cent. In 2018, Abu Dhabi's nominal GDP grew by 14.4 per cent. and its real GDP by 1.9 per cent.

Following the sharp fall in oil prices in the second half of 2014, the Government reviewed its fiscal policy and role with a view to bringing expenditure in line with a potentially sustained period of lower oil prices, including through reduced government spending on capital projects and subsidy reforms. The Government also took action to increase its revenue, including through new municipality fees charged on hotel bills. All of these actions had negative knock-on effects for the real estate sector, which was also affected by appreciation in the U.S. dollar (to which the dirham is pegged), which reduced demand for real estate and weighed on the performance of key sectors such as retail and tourism, as they became more expensive for visitors from Europe and countries with non-U.S. dollar-pegged currencies.

Following an announcement by the Crown Prince of Abu Dhabi in June 2018, 'Ghadan 21' was launched in Abu Dhabi. This is an AED 50 billion economic stimulus package aimed at accelerating the Abu Dhabi economy over the following three years and promoting the ease of doing business in the emirate. The plan provides a set of ten economic initiatives, covering infrastructure and legislative projects, SMEs, and industrial and social projects. The aim is to diversify Abu Dhabi in a post-oil world, stimulate investment and create jobs. A number of initiatives at both UAE and Abu Dhabi level have been announced in relation to commercial licensing and the federal government has also relaxed visa requirements both of which aim to stimulate foreign investment. A freehold law was enacted in the second quarter of 2019, allowing foreigners to own land and property within Abu Dhabi's investment areas on a freehold basis for the first time. The new law aims to stimulate foreign investment and provide investors with more certainty.

Retail

JLL reports that average retail rents remained stable in 2016 and 2017 at around AED 3,000 per m^2, primarily due to a limited stock of good quality malls which offset the negative impact on retail spending from both tourists and residents in Abu Dhabi as a result of inflationary pressures, the devaluation of non-U.S. dollar-pegged currencies, job cuts, government spending cuts, reduced subsidies and generally weaker market sentiment. In 2018, JLL reported that average retail rents fell by 12 per cent. as tenants benefitted from an increasingly strong negotiating position due to the increased level of vacant space as retailers closed branches in Abu Dhabi. In the second quarter of 2019, JLL reports that average retail rents declined by 5 per cent. compared to the same quarter in 2018. In its 2019 report, JLL reports that rents and vacancies are expected to remain under continued pressure due to the large supply scheduled to enter the market during the rest of 2019 and that, with increasing vacancies throughout the market, mall owners are investing in new technologies to increase retail sales, offering temporary events and significant promotions to increase footfall.

In terms of supply, JLL reports that total retail GLA in Abu Dhabi remained constant at around 2.6 million m^2 in each of 2016, 2017 and 2018. JLL notes that the region's most sustainable community mall, My City Centre in Masdar City, was opened in the second quarter of 2019, adding 18,800 m^2 of GLA and bringing the total retail stock to approximately 2.7 million m^2 of GLA. In its 2019 report, JLL also noted that the Galleria Al Maryah, a super-regional mall, is due to open in September 2019 and the Al Reem Mall is due to complete in 2020, bringing the total retail supply to approximately 3 million m^2 by the end of 2020, although JLL remains cautious on the timely delivery of future projects. Given Abu Dhabi's challenging economic conditions, with more residents facing job uncertainties, JLL believes that consumers have changed their spending habits, shifting away from luxury brands to more value brands and that tenant demand remains weak, despite the increased incentives being offered by owners.

Residential

JLL reports show that residential rents for apartments and villas in Abu Dhabi declined by 7 per cent. and 4 per cent., respectively, in 2016, by 12 per cent. and 9 per cent., respectively, in 2017, by 11 per cent. and 16 per cent., respectively, in 2019 and by 11 per cent. and 9 per cent., respectively, in the second quarter of 2019 compared to the same quarter in 2018.

In terms of supply, the residential market in Abu Dhabi grew from around 246,000 units at the end of 2015 to around 249,000 units at the end of 2016, around 252,000 units at the end of 2017 and around 257,000 units at the end of 2018. As at 30 June 2019, the supply was around 260,000 units, with a further 7,000 units expected to be delivered over the course of 2019.

JLL notes that there remains unanticipated appetite for residential land plots catering to the mid-market segment and that, reflecting this, Aldar released Al Reeman II solely for UAE nationals to design their own villas within approved standards following the rapid sale of land plots in its two previous developments Al Reeman and Lea. JLL also notes that the new residential freehold law formalising foreigners' rights to own land and property within Abu Dhabi's investment areas, could ultimately stimulate additional demand for properties in Al Reeman and elsewhere within the investment zones.

Commercial

According to JLL, Abu Dhabi is a two tiered office market, with strong demand for single owned Grade A office space, but little interest in secondary locations. JLL reports show that central business district rents in Abu Dhabi declined by 5 per cent. in 2016 and that Grade A rents in Abu Dhabi remained flat in 2017 but then declined by around 4.5 per cent. in 2018. In the second quarter of 2019, JLL reported that Grade A rents had fallen by 6.0 per cent. compared to the same quarter in 2018. JLL's expectation is that the office market is likely to experience limited further declines in rent over the rest of 2019 before stabilising in 2020.

JLL's 2017 report also indicates that the vacancy rate for both Grade A and Grade B buildings increased from 20 per cent. in the fourth quarter of 2016 to 22 per cent. in the fourth quarter of 2017 and 24 per cent. in the fourth quarter of 2018. JLL's 2019 report indicated a further increase to 26 per cent. at 30 June 2019.

In terms of supply, JLL reports that 214,000 m^2 of commercial space was added in 2016, increasing the stock to around 3.5 million m^2 of GLA. According to JLL, no significant amount of additional office space was added in Abu Dhabi in 2017 and around 170,000 m^2 of commercial space was added in 2018 bringing the estimated stock of commercial space to around 3.7 million m^2 of GLA at the end of 2018. In the first six months of 2019, a further 50,000 m^2 of commercial GLA was added in Abu Dhabi and JLL notes that a further 68,000 m^2 of GLA is scheduled for delivery by the end of 2019, although developers remain cautious with projected deliveries due to current market conditions, and JLL expects there may be delays.

Hospitality

According to JLL reports, ADRs in Abu Dhabi declined by 10 per cent. in the year to November 2016 compared to the year to November 2015 while occupancy rates fell to 71 per cent. in the year to November 2016, reflecting the fact that Abu Dhabi's hospitality sector remains reliant on corporate demand which was significantly affected by the decline in oil prices, reduced government spending and corporate consolidation, although this was offset by increased leisure demand, driven by Government initiatives to diversify towards leisure tourism. In 2017, occupancy remained stable at 71 per cent. in the year to November 2017, although ADRs fell by 6 per cent. over the same period. In the 12 months to 30 November 2018, occupancy remained stable at 71 per cent. compared to the same period in 2018, although average daily rates fell by 5 per cent. over the same periods. In the first six months of 2019, JLL reports that ADRs increased by 12 per cent. compared with the same period in 2018 and it expects the hotel sector to perform better in the whole of 2019 (compared to 2018), although it does not believe that the market has moved into a period of sustained recovery.

In terms of supply, JLL reports show that 800 hotel keys were added in 2016, bringing supply to 21,200 keys at 31 December 2016, 600 hotel keys were added in 2017 bringing total supply to 21,800 keys at 31 December 2017 and 1,900 hotel keys were added in 2018 bringing total supply to 23,700 keys at 31 December 2018. JLL's 2019 report, states that the total hospitality stock (hotels and serviced apartments) was 30,100 keys as at 30 June 2019. The report also notes that some hotel projects scheduled for delivery during 2019 have been delayed in response to the current market conditions.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Purchase Agreement

The Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Trustee and as Purchaser) and the Obligor (in its capacity as Seller) and will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable to the Emirate of Abu Dhabi, the federal laws of the UAE.

Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser and the Purchaser will purchase from the Seller, in each case, on the Issue Date all of the Seller's rights, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Initial Wakala Portfolio at the Purchase Price, being an amount which shall not be less than 51 per cent. of the Proceeds.

Service Agency Agreement

The Service Agency Agreement will be entered into on the Issue Date between the Obligor (in its capacity as Servicing Agent) and the Trustee and will be governed by English law.

Services

Pursuant to the Service Agency Agreement, the Trustee will appoint the Servicing Agent for the provision of services in respect of the Wakala Portfolio. In particular, the Servicing Agent will undertake to provide, *inter alia*, the following services during the Wakala Ownership Period (the "**Services**"):

(a) it shall provide services in respect of the Wakala Portfolio in accordance with the wakala services plan set out in the schedule to the Service Agency Agreement;

(b) it shall ensure that the Usufruct over the Wakala Portfolio will comprise only Eligible Wakala Assets;

(c) it shall, subject to clause 6.2 of the Service Agency Agreement, ensure that the Tangibility Ratio shall, at all times, remain 51 per cent. or more and if, at any time, the Tangibility Ratio should fall below 51 per cent., the Servicing Agent shall promptly take any and all steps as may be required to maintain such Tangibility Ratio;

(d) it shall use all reasonable endeavours in providing the Services to the Wakala Portfolio such that the Value of the Usufruct over the Wakala Assets, when aggregated with the aggregate amounts of Deferred Sale Price then outstanding, is at all times at least equal to the aggregate face amount of the Certificates then outstanding;

(e) it shall carry out all Major Maintenance and Structural Repair in respect of the Wakala Assets on account and on behalf of the Trustee and in so doing the Servicing Agent shall:

    (i) ensure that accurate and current records are kept of all Major Maintenance and Structural Repair activities;

    (ii) conduct regular and proper inspection of the Wakala Assets and ensure that Major Maintenance and Structural Repair is carried out with the proper quality of materials and workmanship; and

    (iii) ensure that Major Maintenance and Structural Repair is carried out by qualified persons and in accordance with all applicable regulations and law, in each case, in accordance with good maintenance practice expected from a prudent person carrying on business and operations similar to that of the Servicing Agent on an arm's length basis and in order to fully maintain the Value of the Usufruct over the Wakala Assets;

(f) it shall promptly pay, on behalf of the Trustee, all Proprietorship Taxes (if any) charged, levied or claimed in respect of the Usufruct over the Wakala Assets by any relevant taxing authority and promptly, upon request, provide to the Trustee appropriate receipts or certificates from the relevant taxing authority for the full amount of all Proprietorship Taxes paid by it;

(g) it shall do all acts and things (including the execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of and compliance by each Lessee with its covenants, undertakings or other obligations under the relevant Lease to which it is a party in accordance with all applicable laws and the terms of the relevant Lease, in each case in respect of the Usufruct over the Wakala Assets;

(h) it shall discharge or procure the discharge of all obligations to be discharged by the Servicing Agent (in whatever capacity) in respect of the Usufruct over the Wakala Assets;

(i) it shall pay on behalf of the Trustee any actual costs, expenses and losses which would otherwise be payable by the Trustee as a result of any interest that the Trustee may have in the Wakala Portfolio;

(j) it shall ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally use all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues under the relevant contract or instrument as and when the same shall become due and shall record such Wakala Portfolio Revenues in the Wakala Collection Account;

(k) it shall keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Wakala Portfolio Revenues;

(l) it shall ensure that all Wakala Portfolio Revenues are received free and clear of, and without withholding or deduction for, Taxes;

(m) it shall use all reasonable endeavours to ensure that in providing the Services, the Wakala Portfolio Revenues in respect of each Wakala Distribution Period are (following conversion into U.S. dollars, if required, at the then applicable exchange rate) at least equal to the Expected Wakala Portfolio Revenues Amount;

(n) it shall maintain the Collection Accounts in accordance with Clause 7 of the Service Agency Agreement;

(o) it shall obtain all necessary licences, authorisations, consents and approvals in connection with the Usufruct over any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;

(p) it shall renew existing Leases relating to the Usufruct over the Wakala Assets, or where such leases are not to be renewed, source new tenants; and

(q) it shall carry out any incidental matters relating to any of the above.

The Servicing Agent will agree in the Service Agency Agreement to:

(a) provide the Services in accordance with all applicable laws and regulations;

(b) provide the Services with the degree of skill and care that it would exercise in respect of its own assets; and

(c) provide the Services and Service the Usufruct over the Wakala Assets and the Wakala Portfolio Revenues in accordance with generally accepted Shari'a principles.

For these purposes:

"**Collection Accounts**" means the Wakala Collection Account and the Wakala Reserve Collection Account;

"**Eligible Wakala Asset**" means a Real Estate Asset:

(a) in respect of which the relevant Lessee: (i) is generating cashflows relating to an activity which does not conflict with the principles of Shari'a; and (ii) is not in breach of its payment obligations under any document relating to such Real Estate Asset;

(b) in respect of which the obligations contained in the documents entered into by the Lessee thereof constitutes legal, valid, binding and enforceable obligations of the Lessee thereof under the governing law of such documents and in the jurisdiction in which such Lessee is located;

(c) in respect of which the Seller is entitled to receive all payments due;

(d) in respect of which there has not occurred an event of default, any acceleration or analogous event; and

(e) in respect of which a usufruct right is capable of being sold and granted by the Seller to the Purchaser in accordance with the terms set out in the Service Agency Agreement;

"**Expected Wakala Portfolio Revenues Amount**" means, in respect of any Wakala Distribution Period (as defined in the Service Agency Agreement), the amount specified as such in the wakala services plan;

"**Full Reinstatement Value**" means an amount equal to the aggregate of:

(a) the aggregate face amount of the Certificates then outstanding; plus

(b) an amount equal to the Periodic Distribution Amounts, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurred and ending on but excluding the 30th day following the occurrence of the Total Loss Event; plus

(c) (to the extent not previously satisfied in accordance with this Agreement) an amount equal to the sum of any outstanding: (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts; less

(d) the aggregate amounts of Deferred Sale Price then outstanding, if any;

"**Lease**" means a lease entered into by the Obligor with a third party relating to a Real Estate Asset;

"**Lessee**" means any tenant or other party to a Lease who has undertaken to make payments pursuant to terms of such Lease;

"**Major Maintenance and Structural Repair**" means all structural repair and major maintenance (excluding Ordinary Maintenance and Repair), including doing such acts or things and taking such steps to ensure that the Wakala Assets suffer no damage, loss or diminution in value without which such Wakala Assets could not be reasonably and properly used by the Lessee;

"**Ordinary Maintenance and Repair**" means all day-to-day repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Wakala Assets and to keep, maintain and preserve such Wakala Assets in good order, state and condition;

"**Proprietorship Taxes**" means all taxes in relation to the Wakala Assets by law imposed, charged or levied against a proprietor, but excluding all taxes that are by law imposed, charged or levied against a lessee or tenant;

"**Real Estate Asset**" means a real estate-related asset located in the Emirate of Abu Dhabi (other than the ADGM) which is leased or to be leased (other than on the basis of a finance lease) by the Obligor to one or more third parties;

"**Tangibility Ratio**" means the ratio of: (i) the aggregate Value of the Usufruct over the Wakala Assets to the aggregate Value of: (ii) the Usufruct over the Wakala Assets and the aggregate amounts of Deferred Sale Price then outstanding, in each case applicable at the relevant time;

"**Total Loss Event**" means:

(a) the total loss or destruction of, or damage to the whole of the Wakala Assets or any event or occurrence which renders the whole of such asset permanently unfit for any economic use and (but only after taking into consideration the proceeds of any insurances or other indemnity granted in each case by any third party in respect of the Wakala Asset) the repair of remedial work in respect thereof is wholly uneconomical; or

(b) the occurrence of any expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Wakala Assets.

"**Value**" means in respect of the Usufruct over any Wakala Asset, the amount in U.S. dollars (following conversion, if necessary, of any relevant amount(s) at the applicable exchange rate) as being equal to the value of the Usufruct over that Wakala Asset determined by the Obligor on the basis of the market value of the Usufruct over the relevant Wakala Asset by reference to the most recent audited financial statements of the Obligor at the relevant time and on the day on which it first became part of the Wakala Portfolio as set out in the Purchase Agreement, the relevant Supplemental Purchase Agreement, the relevant Substitution Request or the relevant Sale Agreement, as the case may be;

"**Wakala Distribution Date**" means, during the Wakala Ownership Period, the dates described as such in the wakala services plan, each of which dates shall also be a Periodic Distribution Date; and

"**Wakala Ownership Period**" means the period commencing on the Issue Date and ending on the date on which all of the Certificates are redeemed in full.

Insurance and Total Loss Shortfall Amount

The Servicing Agent irrevocably undertakes to the Trustee, that, in relation to the Usufruct over the Wakala Assets, the Servicing Agent will:

(a) be responsible for ensuring that the Usufruct over the Wakala Assets are properly insured to the extent consistent with general industry practice by prudent owners of similar assets and, accordingly, shall effect such insurances in respect of the Usufruct over the Wakala Assets (the "**Insurances**"), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event. The Servicing Agent undertakes to ensure that the aggregate of the insured amount relating to a Total Loss Event corresponding to the Usufruct over the Wakala Assets will, at all times, be at least equal to the Full Reinstatement Value;

(b) promptly make a claim in respect of each loss relating to the Usufruct over the Wakala Assets in accordance with the terms of the Insurances; and

(c) ensure that, in the event of a Total Loss Event occurring, all the proceeds of the Insurances against a Total Loss Event are in an amount equal to the Full Reinstatement Value and are paid in U.S. dollars directly into the Wakala Collection Account by no later than the 30th day after the occurrence of the Total Loss Event and that the relevant insurer(s) will be directed accordingly.

If the Servicing Agent fails to comply with the terms of the Service Agency Agreement (as detailed immediately above) and the Usufruct over the Wakala Assets is not replaced as further described below and as a result of such breach the amount (if any) credited to the Wakala Collection Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited to the Wakala Collection Account being the "**Total Loss Shortfall Amount**"), then the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. Subject to paying such Total Loss Shortfall Amount, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations. Any such breach will not, however, constitute an Obligor Event.

Wherever the Servicing Agent procures Insurances in accordance with the terms of the Service Agency Agreement (including the renewal of any Insurances in existence on the Issue Date) it shall use its reasonable endeavours to obtain such Insurances on a takaful basis if such takaful insurance is available on commercially viable terms. For the avoidance of doubt, if such takaful insurance is not available on commercially viable terms, the Servicing Agent must procure conventional insurance to comply with its undertaking in clause 3.2 of the Service Agency Agreement. A breach of this requirement will not, however, constitute an Obligor Event.

Replacement of Usufruct over Wakala Assets

By no later than 30th day after the occurrence of a Total Loss Event, the Obligor will be obliged to use all reasonable endeavours to identify the Usufruct over the further Eligible Wakala Asset(s) ("**Replacement Wakala Assets**") which are at least of an equal Value prior to the occurrence of the Total Loss Event to the Usufruct over relevant Wakala Assets which have suffered a Total Loss Event. Any such breach will not, however, constitute an Obligor Event.

If the Trustee receives notification from the Obligor that Replacement Wakala Assets are available on or before the 30th day after the occurrence of the Total Loss Event, the Trustee shall pursuant to a separate sale agreement substantially in the form, *mutatis mutandis*, of the Supplemental Purchase Agreement purchase such Replacement Wakala Assets from the Obligor by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the Obligor in consideration of the sale and grant by the Obligor of the Replacement Wakala Assets for the Purchase Price (as set out in the Supplemental Purchase Agreement).

Service Agency Liability Amounts and Fees

The Trustee and the Servicing Agent agree that any Service Agency Liabilities Amounts incurred by the Servicing Agent in providing the Services shall be paid (or reimbursed) by the Trustee by way of the application of amounts standing to the credit of the Wakala Collection Account by the Servicing Agent on the Trustee's behalf pursuant to paragraph (b) of the order of priority set out below or otherwise on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed). For these purposes, "**Service Agency Liabilities Amount**" means the amount of any actual claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent (excluding, for the avoidance of doubt, interest, penalty payments, costs of funds and opportunity costs) on behalf of the Trustee, in each case in providing the Services during a Wakala Distribution Period (as defined in the Service Agency Agreement), but does not include any amount due to the Servicing Agent (or any third party provider of a Liquidity Facility) under the Service Agency Agreement in respect of any Liquidity Facility.

The Obligor shall be entitled to receive a fee for acting as Servicing Agent under the Service Agency Agreement. In addition, following payment of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for its own account as an incentive payment for acting as Servicing Agent (the "**Incentive Payment**").

Asset Substitutions

The Trustee and the Servicing Agent agree that, provided no Dissolution Event or Total Loss Event has occurred and is continuing (or, if a Total Loss Event has occurred, the Usufruct over the Wakala Assets has not been replaced):

(a) the Obligor may at any time exercise its rights under the Sale Undertaking to substitute the remaining Usufruct Term of the Usufruct over one or more of the Wakala Assets as it may select in accordance with, and subject to, the conditions of the Service Agency Agreement and the Sale Undertaking;

(b) promptly following any default in respect of the Usufruct over the Wakala Assets or the arising of any circumstances which renders the Servicing Agent unentitled to collect all Wakala Portfolio Revenues in respect of the Usufruct over the Wakala Assets for and on behalf of the Trustee, the

Servicing Agent shall use its best endeavours to identify the further Usufruct over Eligible Wakala Asset(s) in replacement for the remaining term of the Usufruct over such Wakala Asset; and

(c) promptly upon the Servicing Agent becoming aware that the Usufruct over any Wakala Asset is not an Eligible Wakala Asset (other than as a consequence of a Total Loss Event in respect of the Usufruct over a Wakala Asset) and/or that the Seller is in breach of any of the representations and warranties contained in clause 7.2 of the Purchase Agreement in respect of the Usufruct over any Wakala Asset, the Servicing Agent shall use its best endeavours to identify further the Usufruct over Eligible Wakala Assets in replacement for the remaining term of the Usufruct over such Wakala Asset,

provided that in each case the Servicing Agent and the Trustee agree that the Value of the Usufruct over any substitute Wakala Assets shall at least be equal to the Value of the Usufruct over the Wakala Assets to be so substituted.

Collection Accounts

The Servicing Agent will maintain two ledger accounts (such accounts being referred to in the Service Agency Agreement as the Wakala Collection Account and the Wakala Reserve Collection Account) in its books, each of which shall be denominated in U.S. dollars in which all Wakala Portfolio Revenues will be recorded.

Amounts standing to the credit of the Wakala Collection Account will be applied by the Servicing Agent on behalf of the Trustee on each Wakala Distribution Determination Date (as defined in the Service Agency Agreement) (being a date which is the Payment Business Day immediately preceding the Periodic Distribution Date) in the following order of priority:

(a) *first*, in repayment of any amounts advanced by way of a Liquidity Facility;

(b) *second*, in payment of any due but unpaid Service Agency Liabilities Amounts in respect of the Wakala Distribution Period ending immediately before the immediately following Wakala Distribution Date;

(c) *third*, the Servicing Agent shall pay into the Transaction Account an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Wakala Collection Account; and

(d) any amounts still standing to the credit of the Wakala Collection Account immediately following payment of all of the above amounts, shall be debited from the Wakala Collection Account and credited to the Wakala Reserve Collection Account.

Shortfalls

Amounts standing to the credit of the Wakala Reserve Collection Account shall be applied by the Servicing Agent as follows:

(a) if on a Wakala Distribution Determination Date (after: (i) payment of the relevant amounts standing to the credit of the Wakala Collection Account into the Transaction Account taking into account any other payments made or to be made into the Transaction Account pursuant to any other Transaction Document) there is a shortfall between: (A) the amounts standing to the credit of the Transaction Account; and (B) the Required Amount payable on the immediately following Periodic Distribution Date (a "**Shortfall**"), by paying into the Transaction Account on that Wakala Distribution Determination Date from the amounts standing to the credit of the Wakala Reserve Collection Account (if any) (after the re-crediting of any amounts previously deducted) an amount equal to the lesser of the Shortfall and the then balance standing to the credit of the Wakala Reserve Collection Account;

(b) the Servicing Agent may deduct amounts standing to the credit of the Wakala Reserve Collection Account at any time during the Wakala Ownership Period and use such amounts for its own account, **provided that** it shall immediately re-credit all such amounts to the Wakala Reserve Collection Account (for on-payment into the Transaction Account) if so required to fund a Shortfall or upon the occurrence of a Dissolution Event or a Total Loss Event; and

(c) following payment in full of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for its own account as an Incentive Payment.

Liquidity Facility

The Servicing Agent agrees that it may, after payment to the Transaction Account of the amounts credited to the Wakala Reserve Collection Account in accordance with the provisions described at paragraph (a) under the heading "*Shortfalls*" and after payment to the Transaction Account of all other amounts payable pursuant to any other Transaction Document, either:

(a) provide non-interest bearing (or otherwise Shari'a compliant) funding itself; or

(b) procure non-interest bearing (or otherwise Shari'a compliant) funding from a third party,

in each case, to the extent necessary, by payment of the same in U.S. dollars into the Transaction Account, on terms that such funding is repayable: (i) from Wakala Portfolio Revenues in accordance with the provisions described at paragraph (a) under the heading "*Collection Accounts*"; or (ii) on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), to ensure that the Trustee receives on the Payment Business Day prior to each Wakala Distribution Date the Required Amount payable by it in accordance with the Conditions on the corresponding Periodic Distribution Date.

Payments under the Service Agency Agreement

The payment obligations of the Servicing Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and unsecured obligations of the Servicing Agent which (save for such exceptions as may be provided by applicable law and subject to the negative pledge provisions included in Condition 5.1) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations from time to time outstanding.

Purchase Undertaking

The Purchase Undertaking will be executed on the Issue Date by the Obligor in favour of the Trustee and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking, the Obligor will irrevocably grant to the Trustee and the Delegate the following rights:

(a) **provided that** a Dissolution Event has occurred and a Dissolution Notice has been delivered in accordance with the Conditions, to require the Obligor, at any time on or prior to the Dissolution Event Redemption Date, to purchase and accept on the Dissolution Event Redemption Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price specified in the Exercise Notice;

(b) to require the Obligor, on the Scheduled Dissolution Date, to purchase and accept all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price specified in the Exercise Notice;

(c) **provided that** Change of Control Put Notices have been delivered by one or more Certificateholders in accordance with the Conditions, to require the Obligor to purchase, on the Change of Control Put Option Date, all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the relevant Wakala Assets at the Change of Control Exercise Price specified in the Exercise Notice; and

(d) to require the Obligor, on the applicable Substitution Date (as defined in the Purchase Undertaking), to assign, transfer and/or convey to the Trustee a Usufruct over New Wakala Assets (as defined in the Purchase Undertaking), together with all of the Obligor's rights, interests, benefits and entitlements in, to and under such Usufruct over the New Wakala Assets, which assets shall be Eligible Wakala Assets and the Value of the Usufruct over such assets shall be: (i) not less than the Value of the Usufruct over the Substituted Wakala Assets (as defined in the Purchase Undertaking); and (ii) when aggregated with the Value of the Usufruct over any Wakala Assets not replaced or substituted on the Substitution Date, does not result in the Tangibility Ratio falling below 51 per cent., against the assignment, transfer and/or conveyance of all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Substituted Wakala Assets, **provided that** in respect of the Usufruct over the Substituted Wakala Assets (or any of them) no Exercise Notice has been delivered under this Purchase Undertaking nor has any Exercise Notice (as defined in the Sale Undertaking) been delivered under the Sale Undertaking, in each case where such Exercise Notice remains outstanding and the related redemption or cancellation of Certificates referred to therein has not occurred in accordance with the Conditions,

in each case on an "as is" basis but free from any Encumbrance (as defined in the Purchase Undertaking) (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking. For the avoidance of doubt, the above rights cannot be exercised by the Trustee and/or the Delegate in respect of any Wakala Assets which have suffered a Total Loss Event (and which have not been replaced in accordance with the Service Agency Agreement).

The Purchase Undertaking will provide that, pursuant to the exercise of any such rights, the Obligor will purchase the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets or the Change of Control Wakala Assets (as defined in the Purchase Undertaking), as the case may be, at the Exercise Price (or, as the case may be, the Change of Control Exercise Price) by:

(a) paying a cash sum equal to the Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Dissolution Event Redemption Date;

(b) paying a cash sum equal to the Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Payment Business Day immediately preceding the Scheduled Dissolution Date; and

(c) paying a cash sum equal to the Change of Control Exercise Price into the Transaction Account (in U.S. dollars by wire transfer for same day value) on the Payment Business Day immediately preceding the Change of Control Put Option Date; and

following payment of the relevant amount in full, enter into a sale agreement so as to evidence the relevant purchase.

Pursuant to the Purchase Undertaking, the Obligor will covenant and undertake that if the Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the rights, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the relevant Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or Change of Control Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price).

Sale Undertaking

The Sale Undertaking will be executed on the Issue Date by the Trustee in favour of the Obligor and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to the Obligor the following rights:

(a) **provided that** a Tax Event has occurred, to oblige the Trustee to sell on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price;

(b) to oblige the Trustee to transfer, assign and convey on any Substitution Date (as defined in the Sale Undertaking) all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Substituted Wakala Assets (as defined in the Sale Undertaking) against the transfer, assignment and conveyance to the Trustee of a Usufruct over the New Wakala Assets (as defined in the Sale Undertaking), together with all of the Obligor's rights, interests, benefits and entitlements in, to and under such Usufruct over the New Wakala Assets, which assets shall be Eligible Wakala Assets and the Value of the Usufruct over such assets shall be not less than the Value: (i) of the Usufruct over the Substituted Wakala Assets; and (ii) when aggregated with the Value of the Usufruct over any Wakala Assets not replaced or substituted on the Substitution Date, does not result in the Tangibility Ratio falling below 51 per cent., **provided that**:

   (i) no Exercise Notice has otherwise been delivered under the Sale Undertaking in respect of the Usufruct over Substituted Wakala Assets;

   (ii) no Exercise Notice has been delivered under the Purchase Undertaking in respect of the Usufruct over the Substituted Wakala Assets or the Wakala Assets; and

   (iii) no Dissolution Event or Total Loss Event (other than where the relevant assets have been replaced in accordance with Service Agency Agreement) has occurred and is continuing;

(c) to oblige the Trustee to transfer to the Obligor on any Cancellation Date (as defined in the Sale Undertaking) the remaining Usufruct Term of the Usufruct over the Cancellation Wakala Assets (as defined in the Sale Undertaking), together with all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over such Cancellation Wakala Assets, following the delivery of the Cancellation Certificates (as defined in the Sale Undertaking) to the Principal Paying Agent or the Registrar for cancellation pursuant to Condition 13.2 and subject to: (i) the aggregate Value of the Usufruct over any Cancellation Wakala Assets not being greater than the aggregate face amount of the Cancellation Certificates less the Cancellation Proportion (as defined in the Sale Undertaking) of the aggregate amounts of the Deferred Sale Price (which shall exclude all profit amounts forming part of such Deferred Sale Price) then outstanding, if any; (ii) no Exercise Notice having otherwise been delivered under the Sale Undertaking in respect of the Usufruct over the Cancellation Wakala Assets; (iii) no Exercise Notice having been delivered under the Purchase Undertaking in respect of the Usufruct over the Cancellation Wakala Assets or generally; and (iv) the exercise of such right in relation to part only of the aggregate face amount of the Certificates then outstanding not resulting in the Tangibility Ratio falling below 51 per cent.; and

(d) provided that 75 per cent. or more of the initial face amount of the Certificates have been redeemed and/or purchased and cancelled by the Trustee in accordance with Condition 10, to oblige the Trustee to sell, on the Change of Control Put Option Date specified in the Exercise Notice, all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Exercise Price in accordance with the terms hereof; and

(e) to oblige the Trustee to sell on the Optional Dissolution Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the remaining Usufruct Term of the Usufruct over the Wakala Assets at the Optional Dissolution Exercise Price in accordance with the terms hereof,

in each case, to be on an "as is" basis but free from any Encumbrance (as defined in the Sale Undertaking) (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale Undertaking. For the avoidance of doubt, the rights granted cannot be exercised by the Obligor in respect of the Usufruct over any Wakala Assets which have suffered a Total Loss Event (and which have not been replaced in accordance with the Service Agency Agreement).

Murabaha Agreement

The Murabaha Agreement will be entered into on the Issue Date between the Trustee (in its capacity as Commodity Seller) and the Obligor (in its capacity as Commodity Purchaser) and will be governed by English law.

Pursuant to the Murabaha Agreement, the Commodity Seller shall enter into a commodity purchase transaction with the Commodity Purchaser using no more than 49 per cent. of the proceeds of the issuance of the Certificates. The Commodity Seller shall agree and undertake that, on the receipt of a purchase order (the "**Purchase Order**") from the Commodity Purchaser, the Commodity Seller shall sell to the Commodity Purchaser on the Issue Date and on the terms set out in the Purchase Order certain commodities (which shall be constituted of metals on the London Metals Exchange (excluding gold and silver)) at the Commodity Purchase Price. Following the purchase of the commodities by the Commodity Seller from the Supplier for Purchase (as defined in the Murabaha Agreement), and **provided that** the Commodity Seller has acquired title to, and actual or constructive possession of, the commodities, the Commodity Seller shall deliver to the Commodity Purchaser by no later than the Issue Date a letter of offer and acceptance (the "**Letter of Offer and Acceptance**") indicating the Commodity Seller's acceptance of the terms of the Purchase Order made by the Commodity Purchaser and detailing the terms of the offer for the sale of the commodities to the Commodity Purchaser from the Commodity Seller by no later than the Issue Date.

Pursuant to the Murabaha Agreement, the Commodity Purchaser shall irrevocably and unconditionally undertake to accept the terms of, countersign and deliver to the Commodity Seller any Letter of Offer and Acceptance delivered to it in accordance with the Murabaha Agreement and (as a result of the Commodity Seller having acted on the request of the Commodity Purchaser set out in the Purchase Order) purchase the commodities acquired by the Commodity Seller for the Deferred Sale Price.

As soon as the Commodity Purchaser has countersigned the Letter of Offer and Acceptance, a murabaha contract (a "**Murabaha Contract**") shall be created between the Commodity Seller and the Commodity Purchaser upon the terms of the Letter of Offer and Acceptance and incorporating the terms and conditions set out in the Murabaha Agreement, the Commodity Seller shall sell and the Commodity Purchaser shall purchase the commodities on the terms set out in the Letter of Offer and Acceptance and ownership and acquisition of title to the relevant commodities and actual or constructive possession thereof, and all risks in and to the relevant commodities shall immediately pass to and be vested in the Commodity Purchaser, together with all rights and obligations relating thereto.

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Trustee, the Obligor and the Delegate and will be governed by English law. Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets comprise: (a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) all of the Trustee's rights, interests, benefits and other entitlements in, and to and under, the Usufruct over the relevant Wakala Assets; (c) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, and to and under, the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement) (excluding: (A) any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents to which it is a party; and (B) the covenant given to the Trustee pursuant to clause 15.1 of the Declaration of Trust); and (d) all moneys standing to the credit of the Transaction Account, and all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets to the Certificateholders and perform its duties in accordance with the provisions of the Declaration of Trust.

The Declaration of Trust specifies, *inter alia*, that:

(a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any agents of the Trustee on its behalf except to the extent funds are available therefor from the Trust Assets and no recourse shall be had for the payment of any amount owing thereunder, whether for the payment of any fee, indemnity or other amount under, or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;

(b) the Trustee may from time to time (but always subject to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Certificates on terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single series, with the outstanding Certificates, and that any additional Certificates which are to be created and issued so as to form a single series with the Certificates shall be constituted by a Supplemental Declaration of Trust; and

(c) on the date upon which additional Certificates are created and issued pursuant to the provisions described in paragraph (b) above and the Purchase Agreement (being the relevant Issue Date for that new tranche), the Trustee will execute a Declaration of Commingling of Assets (as defined in the Declaration of Trust) for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Wakala Assets, the Wakala Assets as in existence immediately prior to the creation and issue of the additional Certificates and the transactions concluded pursuant to the Murabaha Agreement are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

Pursuant to the Declaration of Trust, the Obligor will also covenant and undertake that if the Exercise Price (or, as the case may be, the Change of Control Exercise Price) is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, interests, benefits and entitlements that the Trustee may have in, to and under the Usufruct over the relevant Wakala Assets or any of them, or for any other reason, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Change of Control Exercise Price).

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee for the Certificateholders.

The Delegate also undertakes that, *inter alia*, if it has received express notice in writing pursuant to the Declaration of Trust of the occurrence of a Dissolution Event or a Total Loss Event in respect of the Certificates and subject to Condition 14, it shall promptly notify the Certificateholders of the occurrence of such Dissolution Event and/or Total Loss Event (as the case may be).

A Transaction Account will be established in the name of the Trustee. Moneys received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts and/or Dissolution Distribution Amounts (if any) and/or Optional Dissolution Distribution Amounts (if any) immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Declaration of Trust shall provide that all moneys credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

Agency Agreement

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Obligor, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent and will be governed by English law.

Pursuant to the Agency Agreement: (i) the Registrar has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to authenticate and deliver the Global Certificate and, if any, each Individual Certificate; (ii) the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to pay all sums due under such Global Certificate; and (iii) the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to effect requests to transfer all or part of the Global Certificate and issue Individual Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Obligor shall cause to be deposited into the Transaction Account, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the moneys standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

Further Issues

If the Trustee has issued additional Certificates in accordance with Condition 21 (*Further Issues*), the Obligor shall enter into a Supplemental Purchase Agreement under the Purchase Agreement to sell and grant a Usufruct over the Additional Wakala Assets into the Wakala Portfolio and shall enter into additional transactions with the Trustee pursuant to the Murabaha Agreement, **provided that**, at all times, the Tangibility Ratio shall remain 51 per cent. or more.

Shari'a Compliance

Each Transaction Document provides that each of Aldar Sukuk (No. 2) Ltd. (to the extent it is a party to the relevant Transaction Document) and Aldar Investment Properties LLC (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of Shari'a;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and

(c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of Shari'a.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries.

Cayman Islands

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of or in the nature of profit or principal on debt securities (including the Certificates) or payments made under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions as described in Condition 11); and (ii) the Obligor has undertaken under the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "Double Taxation Arrangements" with certain other countries.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGA's**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date.

SUBSCRIPTION AND SALE

Dubai Islamic Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank (together, the "**Joint Global Co-Ordinators**") and, together with Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, Sharjah Islamic Bank PJSC and Standard Chartered Bank (together with the Joint Global Co-Ordinators, the "**Joint Lead Managers**") have entered into a subscription agreement with the Trustee and the Obligor dated 17 October 2019 with respect to the Certificates (the "**Subscription Agreement**"). The Trustee has agreed to issue and sell to the Joint Lead Managers U.S.$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have agreed to subscribe for the Certificates. In accordance with the terms of the Subscription Agreement, each of the Trustee and the Obligor will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Certificates and indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Certificates in certain circumstances prior to payment to the Trustee.

UNITED STATES

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver Certificates: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by such Joint Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Joint Lead Manager has further agreed that it will send to each dealer/manager to which it sells any Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The foregoing restrictions apply to holders of beneficial interests in the Certificates, as well as holders of the Certificates.

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer/manager (whether or not participating in the offering of the Certificates) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the European Economic Area.

(a) For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Obligor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

CAYMAN ISLANDS

Each Joint Lead Manager has represented and agreed that it has not made and will not make any offer or invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for the Certificates.

UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

DUBAI INTERNATIONAL FINANCIAL CENTRE

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the DIFC unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the rulebook of the DFSA (the "**DFSA Rulebook**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

KINGDOM OF BAHRAIN

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more excluding that person's principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

KINGDOM OF SAUDI ARABIA

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Markets Authority resolution number 3-123-2017 dated

27 December 2017, as amended by the Board of the Capital Markets Authority resolution number 1-104-2019 dated 30 September 2019 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations.

STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

JAPAN

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly. offered or sold any Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

MALAYSIA

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**").

Accordingly, each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase any Certificates has been or will be made, directly or indirectly, by it nor may any document or other material in connection therewith be distributed in Malaysia by it, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 or Section 229(1)(b) and Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

SINGAPORE

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12:

Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

GENERAL

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, the Obligor, the Delegate, the Agents or any other Joint Lead Manager shall have any responsibility therefor.

None of the Trustee, the Obligor or any Joint Lead Manager has represented that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Certificates.

GENERAL INFORMATION

ALDAR INVESTMENTS

Aldar Investments was incorporated on 29 May 2018 as a limited liability company with commercial registration number CN-2571624 under the UAE Federal Commercial Companies Law. Its registered office is Aldar HQ building, Al Raha beach, P.O. Box 51133, Abu Dhabi and its telephone number is +971 2 810 5555. Aldar Investments is legally owned as to 99.9 per cent. by Aldar Investment Holding Restricted Limited and as to 0.1 per cent. by Aldar. Aldar Investment Holding Restricted Limited is legally and beneficially owned by Aldar. The rights of Aldar Investment Holding Restricted Limited and Aldar as the shareholders of Aldar Investments and Aldar as the sole shareholder of Aldar Investment Holding Restricted Limited are set out in the articles of association of Aldar Investments and Aldar Investment Holding Restricted Limited, respectively, and will be managed in accordance with those articles and with the provisions of applicable Abu Dhabi and UAE federal laws and, in the case of the rights of Aldar as the sole shareholder of Aldar Investment Holding Restricted Limited, in accordance with the laws of the Abu Dhabi Global Market.

AUTHORISATION

The issue of the Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Trustee dated 25 September 2019. The entry by the Obligor into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Obligor, dated 24 March 2019.

The Trustee and the Obligor have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the execution and performance of the Transaction Documents to which they are a party.

LISTING

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the regulated market of Euronext Dublin. The listing of the Certificates is expected to be granted on or around 22 October 2019.

The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the regulated market of Euronext Dublin will be granted on or around 22 October 2019. The total expenses related to the admission to trading on the regulated market of Euronext Dublin are estimated to be €7,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the regulated market of Euronext Dublin.

Application has also been made for the Certificates to be admitted to listing on the ADX on or around 22 October 2019.

DOCUMENTS AVAILABLE

For so long as any Certificates remain outstanding, copies (and English translations which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available in electronic and physical format, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection and/or collection by Certificateholders at the offices of the Principal Paying Agent in London:

(a) the Transaction Documents;

(b) the memorandum and articles of association of the Trustee and the constitutional documents of the Obligor;

(c) the 2018 Financial Statements;

(d) the Interim Financial Statements;

(e) the Carve-Out Financial Statements; and

(f) a copy of this Prospectus.

For as long as the Certificates remain outstanding, copies of the Declaration of Trust and the documents listed in (b) above will be available for inspection at www.aldar.com.

CLEARING SYSTEMS

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The ISIN for the Certificates is XS2068063465. The Common Code for the Certificates is 206806346. See as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN for the CFI and FISN codes applicable to the Certificates.

LEGAL ENTITY IDENTIFIER

The Legal Entity Identifier code of the Trustee is 54930010JDA2VE3MB531.

The Legal Entity Identifier code of the Obligor is 549300GSR8KPFFQDNN10.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial position or financial performance of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial position or financial performance of the Obligor since 30 June 2019, and there has been no material adverse change in the prospects of the Obligor since 31 December 2018.

LITIGATION

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

The Obligor is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Obligor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Obligor.

AUDITORS

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

On 20 August 2019, Deloitte & Touche (M.E.) were appointed as the independent auditors of the Obligor. There is no professional body of auditors in the UAE and, accordingly, Deloitte & Touche (M.E.) is not a member of any professional body in the UAE. However, Deloitte & Touche (M.E.) is registered under the Register of Practicing Accountants at the UAE Ministry of Economy and Commerce as required by the United Arab Emirates Federal Law No. 22 for the year 1995. Deloitte & Touche (M.E.)'s address is Level 11, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, P.O. Box 990, Abu Dhabi, United Arab Emirates.

Deloitte & Touche (M.E.) have reviewed the Interim Financial Statements in accordance with International Standard on review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as stated in their review report appearing herein.

EY have audited the 2018 Financial Statements and the Carve-Out Financial Statements in accordance with International Standards on Auditing, as stated in their respective reports appearing herein.

EY are authorised and regulated under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995. Their address is 27th Floor, Nation Tower 2, Abu Dhabi Corniche, P.O. Box 136, Abu Dhabi, United Arab Emirates.

JOINT LEAD MANAGERS TRANSACTING WITH THE TRUSTEE AND THE OBLIGOR

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage in, investment banking and/or commercial banking transactions with, and may perform services for the Trustee, the Obligor and their respective affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates, have engaged in, and may in the future engage in, investment banking and/or commercial banking business with, and may provide services to the Trustee, the Obligor and/or their affiliates and, may make or hold a broad array of investments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Obligor and their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee, the Obligor and their affiliates routinely hedge their credit exposure to the Trustee, the Obligor and their affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "**affiliates**" shall also include parent companies.

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ALDAR INVESTMENT PROPERTIES LLC

Review report and interim financial information for the period ended 30 June 2019

ALDAR INVESTMENT PROPERTIES LLC

Review report and interim financial information for the period ended 30 June 2019

Deloitte.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Aldar Investment Properties LLC
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together the "Group") as at 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 May 2019. The comparative information in the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and related explanatory information for the six-month period ended 30 June 2018 were reviewed by another auditor who expressed an unmodified conclusion on those statements on 11 September 2018.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration No. 809
16 September 2019
Abu Dhabi
United Arab Emirates

Condensed consolidated statement of financial position
as at 30 June 2019

	Notes	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,963,142	3,044,822
Intangible assets		1,045	1,157
Investment properties	6	16,393,778	15,516,830
Other financial asset		-	8,481
Total non-current assets		19,357,965	18,571,290
Current assets			
Inventories		10,347	13,198
Trade and other receivables	7	528,572	415,016
Due from the ultimate parent	13	187,947	8,526
Cash and bank balances	8	625,149	246,242
Total current assets		1,352,015	682,982
Total assets		20,709,980	19,254,272

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

Condensed consolidated statement of financial position as at 30 June 2019 (continued)

	Notes	30 June 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		**1**	1
Retained earnings/(accumulated losses)		**299,590**	(67,780)
Capital contributions	9	**11,976,642**	10,987,708
Hedging reserve		**(19,215)**	61,404
Equity attributable to the Owners of the Company		**12,257,018**	10,981,333
Non-controlling interests		**68,821**	68,528
Total equity		**12,325,839**	11,049,861
LIABILITIES			
Non-current liabilities			
Non-convertible sukuk	10	**1,808,163**	1,810,140
Bank borrowings	10	**2,289,089**	2,287,713
Corporate loan from the Ultimate Parent	13	**3,000,000**	2,759,214
Lease liability		**213,922**	244,842
Other financial liabilities		**71,735**	5,543
Total non-current liabilities		**7,382,909**	7,107,452
Current liabilities			
Non-convertible sukuk	10	**22,538**	21,811
Bank borrowings	10	**10,407**	10,370
Lease liability		**50,759**	44,526
Advances and security deposits		**220,002**	216,437
Due to the Ultimate Parent	13	**-**	39,359
Trade and other payables	11	**697,526**	764,456
Total current liabilities		**1,001,232**	1,096,959
Total liabilities		**8,384,141**	8,204,411
Total equity and liabilities		**20,709,980**	19,254,272

Talal Al Dhiyebi
Chairman

Jassem Saleh Busaibe
Chief Executive Officer

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

Condensed consolidated income statement
for the period ended 30 June 2019

	Notes	6 months ended 30 June 2019 (unaudited) AED'000	2018 (unaudited) AED'000
Revenue		**1,147,604**	918,447
Direct costs		**(452,642)**	(314,692)
Gross profit		**694,962**	603,755
Management fee to the Ultimate Parent	**13**	**(45,614)**	-
Selling and marketing expenses		**-**	(3,673)
General and administrative expenses:			
Staff costs		-	(26,493)
Depreciation and amortisation		**(100,243)**	(58,785)
Provisions, impairments and write downs, net	**7**	**(15,870)**	(7,789)
Others		-	(4,752)
Gain on disposal of investment properties	**6**	**17,690**	-
Fair value loss on investment properties	**6**	**(41,275)**	(190,804)
Finance income		**6,324**	-
Finance costs	**12, 13**	**(148,311)**	(115,038)
Profit for the period		**367,663**	196,421
Attributable to:			
Owners of the Company		**367,370**	196,421
Non-controlling interests		**293**	-
		367,663	196,421

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

Condensed consolidated statement of comprehensive income for the period ended 30 June 2019

	6 months ended 30 June	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Profit for the period	**367,663**	196,421
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Changes in fair value of cash flow hedges	**(80,619)**	73,825
Other comprehensive (loss)/income for the period	**(80,619)**	73,825
Total comprehensive income for the period	**287,044**	270,246
Attributable to:		
Owners of the Company	**286,751**	270,246
Non-controlling interests	**293**	-
	287,044	270,246

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

Condensed consolidated statement of changes in equity
for the period ended 30 June 2019

	Share capital AED'000	Retained earnings/ (accumulated losses) AED'000	Net investment by the Ultimate Parent AED'000	Capital contributions AED'000	Hedging reserve AED'000	Equity attributable to the Owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2018 (audited)	-	-	10,197,130	-	(5,748)	10,191,382	-	10,191,382
Profit for the period	-	-	196,421	-	-	196,421	-	196,421
Other comprehensive income for the period	-	-	-	-	73,825	73,825	-	73,825
Net movement during the period	-	-	198,353	-	-	198,353	-	198,353
Balance at 30 June 2018 (unaudited)	-	-	10,591,904	-	68,077	10,659,981	-	10,659,981
Balance at 1 January 2019 (audited)	1	(67,780)	-	10,987,708	61,404	10,981,333	68,528	11,049,861
Profit for the period	-	367,370	-	-	-	367,370	293	367,663
Other comprehensive loss for the period	-	-	-	-	(80,619)	(80,619)	-	(80,619)
Net movement during the period (note 9)	-	-	-	988,934	-	988,934	-	988,934
Balance at 30 June 2019 (unaudited)	**1**	**299,590**	**-**	**11,976,642**	**(19,215)**	**12,257,018**	**68,821**	**12,325,839**

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

Condensed consolidated statement of cash flows
for the period ended 30 June 2019

	Notes	6 months ended 30 June 2019 (unaudited) AED'000	2018 (unaudited) AED'000
Net cash generated from operating activities		**458,615**	396,497
Cash flows from investing activities			
Purchases of property, plant and equipment	**5**	**(18,314)**	(7,173)
Purchases of intangible assets		**(138)**	(782)
Additions to investment properties		**(18,878)**	(122,497)
Proceeds from disposal of investment property		**281,829**	-
Finance income received		**6,324**	-
Movement in term deposits with original maturities above three months		-	(168)
Net cash generated from/(used) in investing activities		**250,823**	(130,620)
Cash flows from financing activities			
Repayments of borrowings		-	(400,000)
Finance costs paid		**(143,000)**	(102,773)
Payments made against lease liabilities	**14**	**(28,810)**	(23,000)
Cash payments to the ultimate parent		**(158,721)**	-
Movement in net investment by the ultimate parent		-	198,353
Net cash used in financing activities		**(330,531)**	(327,420)
Net increase/(decrease) in cash and cash equivalents		**378,907**	(61,543)
Cash and cash equivalents at beginning of the period	**8**	**246,242**	180,084
Cash and cash equivalents at end of the period	**8**	**625,149**	118,541

Refer to note 17 for details of non-cash transactions excluded from the condensed consolidated statement of cash flows.

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

Notes to the condensed consolidated financial statements
for the period ended 30 June 2019

1 General information

Aldar Investment Properties LLC (the "Company") is a limited liability company incorporated in accordance with the UAE Federal Law No. (2) of 2015. The Company is owned by Aldar Investment Holding Restricted Limited (the "Parent Company"), a restricted scope company incorporated in Abu Dhabi Global Market. Aldar Properties PJSC, a company incorporated in Abu Dhabi, UAE and listed in Abu Dhabi Securities Exchange, is the "Ultimate Parent" of the Company.

The principle activities of the Company are real estate enterprises investment, development, institution and management. The subsidiaries of the Company are involved in management of real estate assets including offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets, which are the principal activities of the Group. The Company and its subsidiaries are together referred to as the "Group".

2 Application of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been applied in these condensed consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

This Interpretation does not have any impact on the Group's condensed consolidated financial statements.

Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment does not have any impact on the Group's condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Amendment to IAS 19 Employee Benefits relating to amendment, curtailment or settlement of a defined benefit plan

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement; and
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

This amendment does not have any impact on the Group's condensed consolidated financial statements.

Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

The amendment clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This amendment does not have any impact on the Group's condensed consolidated financial statements.

Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of these amendments did not have a material impact on the condensed consolidated financial statements of the Group.

3 Summary of significant accounting policies

3.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting"* (IAS 34).

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3.2 Basis of preparation

These condensed consolidated financial statements are presented in UAE Dirhams ("AED") which is functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and investment properties.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those applied to the audited annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective 1 January 2019.

Financial results and cash flows for the period ended 30 June 2018

As disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2018, transfer of Aldar Asset Management Business to the Company by the Ultimate Parent represented transfer of business under common control and management applied the pooling of interests method of accounting. Accordingly, the financial results and cash flows for the period ended 30 June 2018 represent the operations of Aldar Asset Management Business which was transferred to the Company in accordance with an asset transfer agreement entered into between the Ultimate Parent and the Company and has been derived from the Ultimate Parent's historical accounting records.

As the Aldar Asset Management Business did not comprise a separate legal entity, therefore, share capital or an analysis of reserves or components of other comprehensive income, other than hedging reserves which is separately identifiable have not been presented in the condensed consolidated statement of changes in equity for the period ended 30 June 2018. "Net investment by the Ultimate Parent" in the comparative period represents a combination of the overall receivables and payables with the Ultimate Parent, funding balances with the Ultimate Parent and investment by the Ultimate Parent in the Aldar Asset Management Business, which cannot be separately identified or allocated. Subsequent to the transfer of the Aldar Asset Management Business to the Company, the balance as at 30 June 2018 representing the contribution/funding by the Ultimate Parent was transferred to "Capital contributions".

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective 1 January 2019.

5 Property, plant and equipment

The major movement in property, plant and equipment relates to depreciation charge for the period amounting to AED 99,994 thousand (30 June 2018: AED 58,552 thousand) and transfer of assets to investment properties of nil (30 June 2018: AED 22,387 thousand) (note 6), offset by additions during the period of AED 18,314 thousand (30 June 2018: AED 7,173 thousand).

6 Investments properties

The major movement in investment properties relates to additions during the period amounting to AED 1,182,082 thousand (30 June 2018: AED 122,497 thousand), transfer from property, plant and equipment of nil (30 June 2018: AED 22,387 thousand) (note 5) and loss on revaluation of investment properties amounting to AED 41,275 thousand (30 June 2018: AED 190,804 thousand).

During the period, the Group sold an investment property with a carrying value of AED 263,860 thousand and realised a net gain of AED 17,690 thousand.

Investment properties include right-of-use assets with respect to land lease of AED 284,394 thousand (31 December 2018: AED 293,801 thousand).

The investment properties are categorised under Level 3 in the fair value hierarchy.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

7 Trade and other receivables

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Trade receivables	**483,787**	454,217
Less: allowances for expected credit loss (i)	**(193,132)**	(178,446)
	290,655	275,771
Advances and prepayments	**97,740**	66,410
Accrued income	**85,425**	22,015
Other receivables	**54,752**	50,820
	528,572	415,016

(i) During the period, additional allowance for expected credit loss of AED 15,870 thousand (30 June 2018: AED 7,789 thousand) was made and receivables amounting to AED 1,184 thousand were written off against provision (30 June 2018: AED 11,565 thousand).

8 Cash and bank balances

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Cash on hand and at banks	**375,149**	246,242
Short-term deposits held with banks	**250,000**	-
Cash and bank balances	**625,149**	246,242

As of 30 June 2019, certain bank accounts are in the name of the Ultimate Parent with carrying value of nil (31 December 2018: nil).

The interest rate on term deposits during the period is 2.95% (31 December 2018: nil) per annum. All bank balances are held with local banks in the United Arab Emirates.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

9 Capital contributions

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Balance at the beginning of the period/year	**10,987,708**	-
Net investment by the Ultimate Parent (note 3.2)	**-**	10,542,257
Net movement during the period/year (i)	**988,934**	445,451
Balance at the end of the period/year	**11,976,642**	10,987,708

Capital contributions mainly represent the net contribution/funding made by the Ultimate Parent as a result of transfer of the Asset Management Business to the Group and transfer of properties. The amount is payable at the discretion of the Group and classified under equity (note 13).

(i) Net movement during the period/year mainly represents transfer of certain property assets and related working capital offset by corporate loan from the Ultimate Parent to the Group.

10 Bank borrowings and non-convertible sukuk

	Non-convertible Sukuk		Bank borrowings		Total borrowings	
	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Current						
Within one year	**22,538**	21,811	**10,407**	10,370	**32,945**	32,181
Non-current						
More than one year	**1,808,163**	1,810,140	**2,289,089**	2,287,713	**4,097,252**	4,097,853
	1,830,701	1,831,951	**2,299,496**	2.298,083	**4,130,197**	4,130,034

In September 2018, the Company novated 3 loans from Aldar Properties PJSC for AED 1.8 billion. The facilities comprised of USD 272 million (AED 1,000 million) of which, the facilities of USD 136 million (AED 500 million) each are with a maturity of 3 and 5 years and AED 800 million of which the facilities of AED 400 million each are with a maturity of 5 and 8 years. In September 2018, the Company signed a bilateral facility with a bank for AED 500 million with a maturity of 5 years.

Bank borrowings are secured in the form of mortgages over operating assets and carry a net worth covenant.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

11 Trade and other payables

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Trade payables	**82,039**	102,823
Accruals	**335,937**	327,359
Deferred income	**136,033**	153,296
Retention payable	**32,488**	57,296
Other payables	**111,029**	123,682
	697,526	764,456

12 Finance costs

	6 months ended 30 June	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Finance cost on borrowings and non-convertible sukuk (note 13)	**143,038**	110,265
Unwinding of finance cost on operating lease liability	**5,273**	4,773
	148,311	115,038

13 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 Parent, Ultimate Parent, associated companies, directors, key management personnel of the Ultimate Parent and related entities. The terms of related party transactions are approved by the Group's Board of Directors. Government of Abu Dhabi is an indirect major shareholder of the Ultimate Parent. The balances and transactions disclosed below with reference to Government of Abu Dhabi also include the entities controlled by Government of Abu Dhabi.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

13 Transactions and balances with related parties (continued)

Related party balances:

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Ultimate Parent		
Corporate loan from the Ultimate Parent	**(3,000,000)**	(2,759,214)
Due to the Ultimate Parent	**-**	(39,359)
Due from the Ultimate Parent (i)	**187,947**	8,526
Other related parties (ii)		
Trade and other receivables	**1,612**	3,683
Trade and other payables	**(1,293)**	(1,264)
Government of Abu Dhabi		
Trade and other receivables	**45,042**	79,011

Transactions with related parties:

	6 months ended 30 June	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Ultimate Parent		
Revenue	**4,926**	-
Finance costs (note 12)	**(52,349)**	-
Management fee	**(45,614)**	-
General and administrative expenses - overheads allocated	**-**	(34,918)
Other related parties (ii)		
Revenue	**11,070**	7,217
Direct costs	**(7,748)**	(9,029)
Government of Abu Dhabi		
Revenue	**128,328**	81,161

(i) This represent surplus cash which is swept periodically and will be settled at the time a dividend is declared.

(ii) Other related parties represent subsidiaries of the Ultimate Parent.

Notes to the condensed consolidated financial statements
for the period ended 30 June 2019 (continued)

13 Transactions and balances with related parties (continued)

During the period, the Ultimate Parent transferred properties and its related working capital with a net value of AED 1,229,720 thousand and provided additional corporate loan of AED 240,786 thousand. These were recorded against the additional capital contributions from the Ultimate Parent (note 9).

Outstanding borrowings of AED 1,293,947 thousand (31 December 2018: AED 1,293,346 thousand) are due to banks ultimately controlled by the Government of Abu Dhabi. Finance cost on these borrowings amounted to AED 30,016 thousand (30 June 2018: AED 32,033 thousand).

Deposits and bank balances of AED 575,279 thousand (31 December 2018: AED 199,970 thousand) are kept with banks ultimately controlled by the Government of Abu Dhabi. Finance income on these deposits amounted to AED 4,568 thousand (30 June 2018: nil).

14 Operating lease arrangements

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
The Group as lessor (commitments)		
Within one year	**656,856**	630,514
In the second and fifth year	**1,379,827**	1,116,588
After five year	**1,368,838**	495,725
	3,405,521	2,242,827

	6 months ended 30 June	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
The Group as lessee		
Unwinding of interest expense during the period on lease liabilities	**5,273**	4,773
Payments made against lease liabilities	**28,810**	23,000

Notes to the condensed consolidated financial statements
for the period ended 30 June 2019 (continued)

15 Segment information

Segment profit represents the profit earned by each segment excluding any common costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

15.1 Business segments

Segment information about the Group's continuing operations for the six months ended 30 June 2019 (unaudited) is presented below:

	Investment properties AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Total AED'000
Revenue from external customers				
- Over a period of time	-	175,213	50,533	225,746
- At a point in time	-	157,210	-	157,210
- Leasing	764,648	-	-	764,648
Gross revenue (i)	764,648	332,423	50,533	1,147,604
Cost of revenue excluding service charge	(90,039)	(275,171)	(28,344)	(393,554)
Service charge expenses	(59,088)	-	-	(59,088)
Gross profit	615,521	57,252	22,189	694,962
Depreciation and amortisation	-	(76,912)	(23,331)	(100,243)
Provisions, impairments and write downs, net	(15,870)	-	-	(15,870)
Fair value loss on investment properties	(41,275)	-	-	(41,275)
Gain on disposal of investment properties	17,690	-	-	17,690
Finance income	3,859	2,465	-	6,324
Segment profit/(loss)	579,925	(17,195)	(1,142)	**561,588**
Finance cost				(148,311)
Management fee				(45,614)
Profit for the period				**367,663**

(i) Gross revenue of investment properties include AED 59,088 thousand of revenue from service charges.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

15 Segment reporting (continued)

15.1 Business segments (continued)

Segment information about the Group's continuing operations for the six months ended 30 June 2018 (unaudited) is presented below:

	Investment properties AED'000	Hospitality and leisure AED'000	Cooling assets AED'000	Total AED'000
Revenue from external customers				
- Over a period of time	-	112,586	-	112,586
- At a point in time	-	92,610	-	92,610
- Leasing	713,251	-	-	713,251
Gross revenue (i)	713,251	205,196	-	918,447
Cost of revenue excluding service charge	(83,101)	(177,724)	-	(260,825)
Service charge expenses	(53,867)	-	-	(53,867)
Gross profit	576,283	27,472	-	603,755
Depreciation and amortisation	(226)	(55,070)	-	(55,296)
Provisions, impairments and write downs, net	(7,789)	-	-	(7,789)
Fair value loss on investment properties	(190,804)	-	-	(190,804)
Segment profit/(loss)	377,464	(27,598)	-	349,866
Selling and marketing expenses				(3,673)
General and administrative expense				(31,245)
Depreciation and amortisation				(3,489)
Finance costs				(115,038)
Profit for the period				196,421

(i) Gross revenue of investment properties include AED 53,867 thousand of revenue from service charges.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

15 Segment reporting (continued)

15.1 Business segments (continued)

The segment assets and liabilities and capital and project expenditure are as follows:

	Investment properties AED'000	**Hospitality and leisure AED'000**	**Cooling assets AED'000**	**Unallocated AED'000**	**Total AED'000**
As at 30 June 2019 (unaudited)					
Assets	17,138,269	2,665,841	717,923	187,947	20,709,980
Liabilities	7,042,724	1,059,241	282,176	-	8,384,141
Period ended 30 June 2019 (unaudited)					
Capital expenditures	-	18,261	53	-	18,314
Project expenditures	1,182,082	-	-	-	1,182,082
As at 31 December 2018 (audited)					
Assets	15,802,701	2,707,609	727,119	16,843	19,254,272
Liabilities	6,722,911	1,144,733	240,246	96,521	8,204,411
Year ended 31 December 2018 (audited)					
Capital expenditures	97,665	390,177	637,000	-	1,124,842
Project expenditures	1,911,340	-	-	-	1,911,340

15.2 Geographical segments

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

16 Seasonality of results

The seasonal nature of the Group's activities only concerns the hospitality and leisure segment, whose revenue has variability during the first and last quarters of the year.

17 Non-cash transactions

The following were significant non-cash transactions relating to investing and financing activities of condensed consolidated statement cash flows:

	6 months ended 30 June	
	2019 (unaudited) AED'000	2018 (unaudited) AED'000
Addition to investment properties against capital contributions from the Ultimate Parent	**1,163,204**	-
Addition in corporate loan against capital contributions from the Ultimate Parent	**(240,786)**	-
Transfer between investment properties and property, plant and equipment	**-**	22,387

18 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 condensed consolidated financial statements approximate their fair values.

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	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 10)	**1,830,701**	**1,928,110**	1,831,951	1,839,285

The Non-convertible sukuk are categorised under Level 1 in the fair value hierarchy.

Notes to the condensed consolidated financial statements for the period ended 30 June 2019 (continued)

18 Fair value of financial instruments (continued)

The Company entered into floating to fixed interest rate swaps to partially hedge its interest rate risk in relation to its floating rate borrowings. As per the terms of the contracts, the Company's floating interest rate payments relating to a notional amount of AED 2,020,150 thousand of the borrowings are at a fixed rate in exchange for the bank paying 3 month USD LIBOR. The fair values are determined by counterparty banks and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable interest rates. The fair values of these interest rate swaps are presented below:

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial assets – interest rate swaps	-	-	8,481	Level 2
Derivative financial liabilities – interest rate swaps	**71,735**	**Level 2**	5,543	Level 2

19 Approval of condensed consolidated financial statements

These condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 16 September 2019.

Aldar Investment Properties LLC

BOARD OF DIRECTORS’ REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Aldar Investment Properties LLC

BOARD OF DIRECTORS’ REPORT

31 DECEMBER 2018

BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2018

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Investment Properties LLC (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 management of real estate assets including offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets.

Financial results
The financial results of the Group have been presented in the consolidated statement of income included in these consolidated financial statements.

Financial statements
The Directors have reviewed and approve 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:

Mr. Talal Al Dhiyebi	Chairman and non-executive director
Mr. Jassem Saleh Busaibe	Chief Executive Officer
Mr. Fahad Juma Al Ketbi	Non-executive director
Mr. Gregory Howard Fewer	Non-executive director
Mr. Jahedur Rehman	Non-executive director

Release
The Directors release the external auditor and the management of the Company from liabilities in connection with their duties for the year ended 31 December 2018.

On behalf of the Board of Directors

Talal Al Dhiyebi
Chairman

27 May 2019

Aldar Investment Properties LLC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF

ALDAR INVESTMENT PROPERTIES LLC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiary (together 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 *Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) *Basis of preparation*
The financial statements of the Group are prepared using the pooling of interest method of accounting and have been presented as a continuation of the Aldar Asset Management Business (as defined in note 2). The comparative information and the financial results of the Group before the incorporation of the Company, are those of the continuing asset management business of Aldar Properties PJSC (the Ultimate Parent as defined in note 1) and have been carved-out from the consolidated financial statements of the Ultimate Parent. The presentation of the continuation of Aldar Asset Management Business was assessed as key audit matter as it involves judgement in respect of identification and extraction of all relevant activities of Aldar Asset Management Business in the periods presented, including estimates for the allocation of shared expenses to the Aldar Asset Management Business.

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Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

(a) *Basis of preparation* continued

For the purpose of our audit of the comparative information and the financial results of the Group before the incorporation of the Company, we understood the management processes and the relevant controls around identification and extraction of all relevant activities of the Aldar Asset Management Business and assessed the design and operative effectiveness of these controls. We also obtained an understanding of the judgements in relation to identification of assets and liabilities as well as allocation of revenue and expenses.

With respect to the assets and liabilities, we performed procedures to test the completeness of the assets and liabilities in relation to the Aldar Asset Management Business included in the financial statements of the Group. We also performed procedures to assess whether the classification and the accounting treatment of these assets and liabilities are in accordance with IFRS.

With respect to items of income and expenses, we performed procedures to test the completeness and reasonableness of the income and expenses attributed to Aldar Asset Management Business, including the allocation of certain expenses to the Aldar Asset Management Business.

(b) *Valuation of investment properties*

The valuation of investment properties is a key audit matter given the degree of complexity involved in valuation and the significance of the judgements and estimates made by management. The property valuations were carried out by external valuers (the "Valuers"). In determining a property's valuation the Valuers take into account property-specific information such as the current tenancy agreements and rental income and apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the valuation (see notes 4.2 and 7 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 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF

ALDAR INVESTMENT PROPERTIES LLC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued
(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 2,444 million 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 notes 4.2 and 5 to the consolidated financial statements).

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

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

We involved our internal valuation specialists in reviewing the valuation of Hotel properties. The review included discussions with management, consideration of overall reasonableness of the assumptions and assessment of movement in valuations against our expectations. Where the assumptions were outside 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.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Article 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF

ALDAR INVESTMENT PROPERTIES LLC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 consolidated financial information of the entities or group activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF

ALDAR INVESTMENT PROPERTIES LLC continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued
We communicate with 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 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.

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) based on the information that has been made available to us, the Group has not purchased or invested in any shares or stocks during the financial year ended 31 December 2018;

vi) note 25 reflects material related party transactions and the terms under which they were conducted; and

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.

Signed by:
Anthony O'Sullivan
Partner
Ernst & Young
Registration No 687

29 May 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	5	**3,044,822**	2,093,036
Intangible assets	6	**1,157**	782
Investment properties	7	**15,516,830**	14,097,961
Other financial asset	18	**8,481**	-
Total non-current assets		**18,571,290**	16,191,779
Current assets			
Inventories	8	**13,198**	91,079
Trade and other receivables	9	**423,542**	285,915
Cash and bank balances	10	**246,242**	180,084
Total current assets		**682,982**	557,078
TOTAL ASSETS		**19,254,272**	16,748,857
EQUITY AND LIABILITES			
Equity			
Capital	11	**1**	-
Retained earnings		**(67,780)**	-
Net investment by the Ultimate Parent	13 & 25	-	10,216,011
Additional capital contribution	14 & 25	**11,056,236**	-
Hedging reserve		**61,404**	(5,748)
Total equity		**11,049,861**	10,210,263
Non-current liabilities			
Non-convertible sukuk	15	**1,810,140**	-
Bank borrowings	16	**2,287,713**	1,820,273
Corporate loan from the Ultimate Parent	25	**2,759,214**	-
Lease liability		**244,842**	225,478
Employees' end of service benefits	17	-	14,133
Other financial liability	18	**5,543**	5,748
Total non-current liabilities		**7,107,452**	2,065,632
Current liabilities			
Non-convertible sukuk	15	**21,811**	2,762,570
Bank borrowings	16	**10,370**	815,507
Lease liability		**44,526**	20,331
Advances and security deposits		**216,437**	193,669
Management fee payable to the Ultimate Parent	21 & 25	**39,359**	-
Trade and other payables	19	**764,456**	680,885
Total current liabilities		**1,096,959**	4,472,962
Total liabilities		**8,204,411**	6,538,594
TOTAL EQUITY AND LIABILITIES		**19,254,272**	16,748,857

Talal Al Dhiyebi
Chairman

Jassem Saleh Busaibe
Chief Executive Officer

The accompanying notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
Revenue		**1,828,997**	1,878,678
Costs of revenue	20	**(640,389)**	(655,617)
GROSS PROFIT		**1,188,608**	1,223,061
Management fee by Ultimate Parent	21	**(39,359)**	-
Selling and marketing expenses	22	**(3,673)**	(8,846)
General and administrative expenses			
Staff costs	23	**(26,333)**	(58,873)
Depreciation and amortisation	5 & 6	**(108,876)**	(113,978)
Provisions, impairments and write downs, net	5 & 9	**(16,577)**	(42,835)
Others		**(21,643)**	(12,055)
Gain on disposal of investment properties		**-**	3,835
Fair value loss on investment properties, net	7	**(670,077)**	(459,013)
Finance income		**45**	10,062
Finance costs	24	**(187,946)**	(218,285)
Other income		**14,472**	-
PROFIT FOR THE YEAR		**128,641**	323,073

The accompanying notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	*2017*
	AED'000	*AED'000*
Profit for the year	**128,641**	323,073
Other comprehensive income (loss) to be reclassified to income statement in subsequent periods:		
Changes in fair value of cash flow hedges (note 18)	**67,152**	(5,748)
Other comprehensive income (loss) for the year	**67,152**	(5,748)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**195,793**	317,325

The accompanying notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Net investment by the ultimate parent AED'000	*Capital AED'000*	*Retained earnings AED'000*	*Additional capital contribution AED'000*	*Hedging reserve AED'000*	*Total equity AED'000*
Balance at 1 January 2017	10,318,076	-	-	-	-	10,318,076
Profit for the year	323,073	-	-	-		323,073
Other comprehensive loss for the year	-	-	-	-	(5,748)	(5,748)
Total comprehensive income for the year	323,073	-	-	-	(5,748)	317,325
Movement during the year (note 13)	(425,138)	-	-	-	-	(425,138)
Balance at 31 December 2017	10,216,011	-	-	-	(5,748)	10,210,263
Introduction of capital	-	1	-	-	-	1
Profit for the year	196,421	-	(67,780)	-	-	128,641
Other comprehensive gain for the year	-	-	-	-	67,152	67,152
Total comprehensive income for the year	196,421	-	(67,780)	-	67,152	195,793
Transfer during the year (notes 13 and 14)	(10,610,785)	-	-	10,610,785	-	-
Movement during the year (notes 13 and 14)	198,353	-	-	445,451	-	643,804
Balance at 31 December 2018	-	**1**	**(67,780)**	**11,056,236**	**61,404**	**11,049,861**

The accompanying notes 1 to 30 form 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*
OPERATING ACTIVITIES			
Profit for the year		**128,641**	323,073
Adjustments for:			
Depreciation and amortisation	5 & 6	**108,876**	113,978
Finance costs		**179,312**	198,687
Amortisation of prepaid finance costs		**8,634**	19,598
Fair value loss on investment properties, net	7	**670,077**	459,013
(Reversal of)/ provision for impairment property, plant and equipment, net	5	**(29,416)**	32,716
Provision for impairment of trade receivables, net	9	**45,993**	10,119
Gain on disposal of investment properties		**-**	(3,835)
Provision for employees' end of service benefit		**1,807**	3,984
Operating cash flows before changes in working capital		**1,113,924**	1,157,333
Changes in working capital:			
Trade and other receivables		**(183,621)**	(6,729)
Inventories		**(5,662)**	(4,464)
Advances and security deposits		**22,768**	22,656
Management fee payable to the Ultimate Parent		**39,359**	-
Lease liability		**74,290**	9,828
Trade and other payables		**83,566**	(25,741)
Cash generated from operating activities		**1,144,624**	1,152,883
Employees' end of service benefits paid		**(1,501)**	(4,152)
Net cash generated from operating activities		**1,143,123**	1,148,731
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(33,638)**	(37,755)
Purchase of intangible assets		**(834)**	(403)
Additions to investment properties		**(208,152)**	(901,730)
Proceeds from disposal of investment properties		**-**	15,094
Funds received on partial swap termination		**58,466**	-
Movement in term deposits with original maturities greater than three months		**-**	5,061
Capital introduced		**1**	-
Net cash used in investing activities		**(184,157)**	(919,733)
FINANCING ACTIVITIES			
Repayment of bank borrowings and sukuk		**(4,407,514)**	(627,592)
Bank borrowings and sukuk raised		**3,136,750**	1,000,000
Finance costs paid		**(154,693)**	(191,548)
Repayment of lease liability		**(30,732)**	(20,718)
Movement in net investment by the Ultimate Parent	13	**198,353**	(425,138)
Net movement in additional capital contribution		**365,028**	-
Net cash used in financing activities		**(892,808)**	(264,996)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**66,158**	(35,998)
Cash and cash equivalents at the beginning of the year		**180,084**	216,082
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	**246,242**	180,084
Non-cash transactions:			
Transfers from Ultimate Parent:			
Property, plant & equipment		**1,022,004**	4,360
Intangible assets		**6**	-
Investment properties	7	**1,772,388**	-
Corporate loan	25	**2,759,214**	-

The accompanying notes 1 to 30 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Aldar Investment Properties LLC (the "Company") is a limited liability company incorporated in accordance with the UAE Federal Law No. (2) of 2015. The Company is owned by Aldar Investment Holding Restricted Limited (the "Parent Company"), a restricted scope company incorporated in Abu Dhabi Global Market. Aldar Properties PJSC, a company incorporated in Abu Dhabi, UAE and listed in Abu Dhabi Securities Exchange, is the "Ultimate Parent" of the Company.

The Company and its subsidiaries (together referred to as the "Group") are involved in management of real estate assets including offices, malls, hotels, golf courses, beach clubs, restaurants and cooling assets, which are the principal activities of the Group.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 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 the applicable requirements of the UAE Federal Law No. (2) of 2015.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments 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.

Pooling of interest method of accounting
The Board of Directors of Aldar Properties PJSC ("Ultimate Parent"), in their meeting held on 12 November 2017 approved the transfer of the Asset Management portfolio of Aldar Properties PJSC (the "Aldar Asset Management Business" or the "Business") to the Company subsequent to its incorporation. The Aldar Asset Management Business comprised of a portfolio of investment properties and hotels managed by the Ultimate Parent.

The transfer of the Aldar Asset Management Business to the Company represents transfer of business under common control. The management has applied the pooling of interests method of accounting, whereby the consolidated financial statements of the Group are presented as a continuation of the Aldar Asset Management Business. Consequently, the comparative information for the year ended and as at 31 December 2017 presented in these consolidated financial statements represent the financial results and financial position of the Aldar Asset Management Business. As the transfer of Aldar Asset Management Business to the Company was affected subsequent to the incorporation of the Company, the financial results of the Group for the year ended 31 December 2018 also includes the results of the Aldar Asset Management Business until the date of transfer to the Company.

Financial results and financial position of Aldar Asset Management Business
The financial results and financial position of the Aldar Asset Management Business included in these consolidated financial statements, as explained above, represent the assets and associated liabilities subject to the asset transfer agreement entered into between the Ultimate Parent and the Company.

Aldar Asset Management Business had historically operated as part of the Ultimate Parent and not as a standalone company or a separate legal entity. The financial results and financial position of the Aldar Asset Management Business included in these consolidated financial statements represent the historical operations of the Aldar Asset Management Business and have been derived from the Ultimate Parent's historical accounting records.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION continued

2.2 Basis of preparation continued

Financial results and financial position of Aldar Asset Management Business continued
The financial results and financial position of the Aldar Asset Management Business included in these consolidated financial statements have been presented on a basis that combines the results and assets and liabilities of each of the operations constituting the Aldar Asset Management Business by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" and include the assets, liabilities, revenues and expenses that management has determined are attributable to the Aldar Asset Management Business.

The following summarises the accounting and other principles applied in presentation of the financial results and financial position of the Aldar Asset Management Business in these consolidated financial statements:

Consolidated statement of financial position:

- As the Aldar Asset Management Business did not comprise a separate legal entity, therefore share capital or an analysis of reserves or components of other comprehensive income, other than hedging reserves which is separately identifiable have not been presented. "Net investment by the Ultimate Parent" in the comparative period represents a combination of the overall receivables and payables with the Ultimate Parent, funding balances with the Parent and investment by the Ultimate Parent in the Aldar Asset Management Business, which cannot be separately identified or allocated. Subsequent to the transfer of the Aldar Asset Management Business to the Group, the balance as at 30 June 2018 representing the contribution/ funding by the Ultimate Parent has been transferred to "Additional capital contribution". For details please refer notes 13 and 14.

- The comparative information included in the statement of consolidated statement of financial position as at 31 December 2017 includes the Ultimate Parent's assets and liabilities that are specifically identifiable or otherwise attributable to the Aldar Asset Management Business.

- The Ultimate Parent's borrowings including non-convertible Sukuk, that are transferred to the Company, or which were obtained/ raised by the Ultimate Parent and utilised for the purpose of the Aldar Asset Management Business, have been included in the consolidated statement of financial position as at 31 December 2017. The borrowings, including non-convertible Sukuk, which have not been transferred to the Company have been refinanced through the undrawn facilities transferred to the Company or through new facilities obtained from financial institutions, the Ultimate Parent (through additional capital contribution and corporate loan) or the issue of Sukuk.

- Cash balances that were specifically identifiable and attributable to Aldar Asset Management Business have been included in the consolidated statement of financial position as at 31 December 2017.

- In accordance with the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, including the intended use of property, certain properties that were classified under property and equipment in the consolidated statement of financial position of the Ultimate Parent have been reclassified as investment properties in the consolidated statement of financial position of the Group as at 31 December 2017 and accounted for in accordance with the accounting policies disclosed below.

- Liability in respect of end of service benefits payable to indirect employees involved in the hotel operations under management agreement with the operator of the hotels have been included in the consolidated statement of financial position as at 31 December 2017. As these employees are on the payroll of the Ultimate Parent, the end of service benefits have been transferred to the Ultimate Parent through the Net Investment by the Ultimate Parent as of the date of transfer of Business to the Company. For details please refer note 17.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION continued

2.2 Basis of preparation continued

Financial results and financial position of Aldar Asset Management Business continued

Consolidated income statement:

- All revenues and costs associated with the Aldar Asset Management Business are included in these financial statements until the date of transfer to the Company.

- Certain expenses incurred by the Aldar Asset Management Business to the date of transfer to the Company, including staff costs, selling and marketing expenses and general and administrative expenses, associated with the Aldar Asset Management Business but borne by the Ultimate Parent, have been allocated to the Aldar Asset Management Business and presented in the consolidated income statement. These represent certain corporate and shared service function historically provided by the Ultimate Parent, including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing, and other shared services. These expenses have been allocated on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis, representing reasonable reflection of the historical utilisation levels of the services.

Consolidated statement of cashflows:

- Transactions between the Aldar Asset Management Business and Ultimate Parent are considered to be settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in the consolidated statement of cash flows within financing activities.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of 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
- 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
- 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.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION continued

2.3 Basis of consolidation continued

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.

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

Name of subsidiary	*Ownership interest*	*Country of incorporation*	*Principal activity*
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs
Saadiyat Accommodation Village LLC	100%	UAE	Management of accommodation village
Saadiyat Cooling LLC	85%	UAE	Cooling station operations
Saadiyat District Cooling LLC	100%	UAE	Cooling station operations

2.4 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.

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.

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.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION continued

2.4 Standards issued and adopted continued

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.

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.

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION continued

2.5 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 consolidated 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Business combinations and goodwill continued

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.

3.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Revenue recognition

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

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

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

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

a) The Group' 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' 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Revenue recognition continued

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.

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.

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

3.4 Leases

The Group had elected to early adopt IFRS 16 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.4 Leases continued

The Group as lessee continued
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.4 Leases continued

Lease liability continued
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.

3.5 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.

3.6 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.7 Property, plant and equipment

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

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

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

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

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.

3.8 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the 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 policies.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.9 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.

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.

3.10 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.

3.11 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.12 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.

3.13 Cash and short-term deposits

Cash and short-term deposits in the consolidated 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.

3.14 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 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 Business 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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Financial instruments – initial recognition and subsequent measurement continued

Financial liabilities continued
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Financial instruments – initial recognition and subsequent measurement continued

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Financial instruments – initial recognition and subsequent measurement continued

Impairment of financial assets continued
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Financial instruments – initial recognition and subsequent measurement continued

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.

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.

3.16 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.16 Derivative financial instruments and hedge accounting continued

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 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

4.1 Judgements continued

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. The Group also needs to determine whether the nature of classification is appropriate in light of the contractual arrangements in place where an economic interest in an asset has been transferred in advance of legal title being transferred.

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 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.

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 Income Capitalisation Method.

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

4.2 Estimates and assumptions continued

Fair value of investment properties and investment properties under development continued
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

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.

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings 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*	*Labour camps AED'000*	*Capital work-in progress AED'000*	*Total AED'000*
Cost:										
At 1 January 2017	4,888,516	367,436	-	28,508	33,467	1,427	2,527	-	16,932	5,338,813
Additions	328	7,531	-	-	1,176	-	-	-	28,720	37,755
Transfers to investment properties (note 7)	-	-	-	-	-	-	-	-	(20,125)	(20,125)
At 1 January 2018	4,888,844	374,967	-	28,508	34,643	1,427	2,527	-	25,527	5,356,443
Additions	389,014	10,450	536,742	14,059	8,322	886	46,153	24,949	25,067	1,055,642
Transfers to investment properties (note 7)	(6,532)	-	-	-	-	-	-	-	(18,329)	(24,861)
At 31 December 2018	**5,271,326**	**385,417**	**536,742**	**42,567**	**42,965**	**2,313**	**48,680**	**24,949**	**32,265**	**6,387,224**
Accumulated depreciation and impairment:										
At 1 January 2017	2,723,873	330,802	-	25,984	32,381	1,295	2,527	-	-	3,116,862
Charge for the year	97,254	14,256	-	1,398	823	98	-	-	-	113,829
Impairment	32,716	-	-	-	-	-	-	-	-	32,716
At 1 January 2018	2,853,843	345,058	-	27,382	33,204	1,393	2,527	-	-	3,263,407
Charge for the year	94,597	9,750	-	2,303	1,701	60	-	-	-	108,411
Impairment reversal	(29,416)	-	-	-	-	-	-	-	-	(29,416)
At 31 December 2018	**2,919,024**	**354,808**	**-**	**29,685**	**34,905**	**1,453**	**2,527**	**-**	**-**	**3,342,402**
Carrying amount:										
At 31 December 2017	2,035,001	29,909	-	1,126	1,439	34	-	-	25,527	2,093,036
At 31 December 2018	**2,352,302**	**30,609**	**536,742**	**12,882**	**8,060**	**860**	**46,153**	**24,949**	**32,265**	**3,044,822**

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

The legal titles of certain property, plant and equipment are currently in the name of the Ultimate Parent. The legal formalities are in process to transfer these titles, however in such cases economic interest has been irrevocably transferred to the Group.

5 PROPERTY, PLANT AND EQUIPMENT continued

During the year, the Group carried out a review of recoverable value of its property, plant and equipment. The review led to impairment of AED 29,416 thousand (2017: impairment of AED 32,716 thousand), 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 as of 31 December 2018*:*

- 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.

6 INTANGIBLE ASSETS

	Computer software AED'000
Cost:	
At 1 January 2017	2,201
Additions	403
At 1 January 2018	2,604
Additions	840
At 31 December 2018	**3,444**
Accumulated amortisation:	
At 1 January 2017	1,673
Charge for the year	149
At 1 January 2018	1,822
Charge for the year	465
At 31 December 2018	**2,287**
Carrying amount:	
31 December 2017	782
31 December 2018	**1,157**

7 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:

	Completed properties AED'000	*Properties under development AED'000*	*Total AED'000*
Balance at 1 January 2017	13,544,736	97,069	13,641,805
Additions during the year, net	626,091	279,999	906,090
Finance cost capitalised	-	213	213
Fair value loss, net	(459,013)	-	(459,013)
Disposals	(11,259)	-	(11,259)
Transfers	165,233	(165,233)	-
Transfer from property, plant and equipment (note 5)	20,125	-	20,125
Balance at 1 January 2018	13,885,913	212,048	14,097,961
Additions during the year, net	1,798,621	181,919	1,980,540
Fair value loss, net	(670,077)	-	(670,077)
Transfer from property, plant and equipment (note 5)	24,861	-	24,861
Transfer from inventory	83,545	-	83,545
Balance at 31 December 2018	**15,122,863**	**393,967**	**15,516,830**

The fair values of the investment properties are arrived at on the basis of a valuation carried out by independent valuers not connected to 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 valuations were conducted as at 31 October 2018 and as per management assessment, there were no significant changes to the fair values of these investment properties from the date of valuation to 31 December 2018. Refer to note 4.2 for the key assumptions used.

Right of use assets amounting to AED 348,317 thousand are included in the completed properties at 31 December 2018.

Additions during the year ended 31 December 2018 include transfers from the Ultimate Parent amounting to AED 1,772,388 thousand (2017: AED 4,360 thousand).

The legal titles of certain investment properties are currently in the name of the Ultimate parent. The legal formalities are in process to transfer these titles, however in such cases economic interest has been irrevocably transferred to the Group.

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.

All investment properties are located in the United Arab Emirates.

7 INVESTMENT PROPERTIES continued

It should be noted that discount rates and capitalisation rates are different than interest rates as commonly applied to borrowing rates or cost of short term and long-term debt. Discount rates and capitalisation 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.

8 INVENTORIES

	2018 AED'000	*2017 AED'000*
Completed properties (note 7)	**-**	83,545
Operating inventories	**13,198**	7,534
	13,198	91,079

Operating inventories represent inventory relating to the hospitality and leisure segment only. As at 31 December 2018, no provision has been recorded against these inventories.

9 TRADE AND OTHER RECEIVABLES

	2018 AED'000	*2017 AED'000*
Trade receivables	**462,743**	169,936
Less: allowances for expected credit loss	**(178,446)**	(37,527)
	284,297	132,409
Advances and prepayments	**66,410**	66,360
Accrued income	**22,015**	42,869
Other receivables	**50,820**	44,277
	423,542	285,915

9 TRADE AND OTHER RECEIVABLES continued

As at 31 December 2018, 30% of the trade receivables (2017: 25% of the trade receivables) are due from its top five customers.

	2018	*2017*
	AED'000	*AED'000*
Ageing of trade receivables		
Not past due	**225,418**	90,989
Past due (more than 180 days)	**58,879**	41,420
Total	**284,297**	132,409

Subsequent to the year end, the Group has collected AED 254,502 thousand of the above trade receivables balance during the period to 27 May 2019.

Movement during the year in allowance for expected credit loss is as follows:

	2018	*2017*
	AED'000	*AED'000*
Balance at the beginning of the year	**37,527**	27,408
Acquired with assets transferred	**122,211**	-
Release of provision, net	**(27,285)**	-
Charge for the year, net	**45,993**	10,119
Balance at the end of the year	**178,446**	37,527

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.

10 CASH AND BANK BALANCES

	2018	*2017*
	AED'000	*AED'000*
Cash in hand	**1,760**	811
Bank balances	**244,482**	179,273
Cash and bank balances	**246,242**	180,084

As of 31 December 2018, certain bank accounts are in the name of the Ultimate Parent.

All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

11 CAPITAL

Capital comprise of 1,000 shares of AED 1 each.

12 STATUTORY RESERVE

In accordance with the Company's 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 Group had net losses subsequent to the transfer of Aldar Asset Management Business to the Group, no amount has been transferred to the statutory reserve.

13 NET INVESTMENT BY THE ULTIMATE PARENT

	2018	*2017*
	AED'000	*AED'000*
Balance at the beginning of the year	**10,216,011**	10,318,076
Profit for the year/ period before 30 June 2018	**196,421**	323,073
Movement in net investment by the Ultimate Parent *	**198,353**	(425,138)
Transfer to additional capital contribution (note 14)	**(10,610,785)**	-
Balance at the end of the year	**-**	10,216,011

*Movement in net investment by the Ultimate Parent is represented by:

	2018	*2017*
	AED'000	*AED'000*
Allocation of expenses to the Group by the Ultimate Parent	**153,575**	400,165
Transfer of investment properties	-	4,360
Cash pooling, general financing and other activities	**44,778**	(829,663)
	198,353	(425,138)

14 ADDITIONAL CAPITAL CONTRIBUTION

	2018	*2017*
	AED'000	*AED'000*
Balance at the beginning of the year	**-**	-
Transfer from net investment by the Ultimate Parent (note 13)	**10,610,785**	-
Net movement during the year	**445,451**	-
Balance at the end of the year	**11,056,236**	-

Additional capital contribution represents the net contribution/ funding made by the Ultimate Parent as a result of transfer of the Aldar Asset Management Business to the Group. The amount is payable at the discretion of the Group and classified under equity.

Net movement during the year represents the transfer of certain property assets and related working capital from the Ultimate Parent to the Group. In addition, as explained in note 25 below, the additional capital contribution has been partially adjusted through the corporate loan from the Ultimate Parent.

15 NON-CONVERTIBLE SUKUK

	2018	*2017*
	AED'000	*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**	-

In December 2013, Aldar Properties PJSC 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.

16 BANK BORROWINGS

	Current AED'000	*Non-current AED'000*	*Total AED'000*	*Interest rate*	*Maturity*	*Purpose*
31 December 2018						
Term loan	**-**	**400,000**	**400,000**	**EIBOR + 1.80%**	**August 2023**	**General purpose**
Term loan	**-**	**500,000**	**500,000**	**LIBOR + 1.30%**	**August 2023**	**General purpose**
Term loan	**-**	**500,000**	**500,000**	**EIBOR + 1.00%**	**September 2023**	**General purpose**
Term loan	**-**	**500,000**	**500,000**	**EIBOR + 1.00%**	**September 2023**	**General purpose**
Term loan	**-**	**400,000**	**400,000**	**EIBOR + 2.12%**	**August 2026**	**General purpose**
	-	**2,300,000**	**2,300,000**			
Unamortised borrowing cost	**-**	**(12,287)**	**(12,287)**			
Accrual for interests and profits	**10,370**	**-**	**10,370**			
	10,370	**2,287,713**	**2,298,083**			
31 December 2017						
Term loan	-	600,000	600,000	EIBOR + 1.30%	July 2019	Refinancing of debt
Term loan	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan	807,389	-	807,389	3 months LIBOR + 1.40%	November 2018	General purpose
Term loan	-	5,000	5,000	EIBOR + 1.80%	August 2023	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
Term loan	-	500,000	500,000	EIBOR + 1.25%	August 2021	General purpose
Term loan	-	500,000	500,000	EIBOR + 1.30%	August 2023	General purpose
	807,389	1,845,000	2,652,389			
Unamortised borrowing cost	-	(24,727)	(24,727)			
Accrual for interests and profits	8,118	-	8,118			
	815,507	1,820,273	2,635,780			

16 BANK BORROWINGS continued

In September 2018, Aldar Investment Properties LLC novated 3 loans from Aldar Properties PJSC for AED 1.8 billion. The facilities comprised of USD 272 million of which, the facilities of USD 136 million each are with a maturity of 3 and 5 years and AED 800 million of which the facilities of AED 400 million each are with a maturity of 5 and 8 years. In September 2018 Aldar Investment Properties LLC signed a bilateral facility with a bank for AED 500 million with a maturity of 5 years.

Loan securities are in the form of mortgages over plots of land and operating assets, and carry a net worth covenant.

Borrowings repaid during the year amounted to AED 1,652,389 thousand (2017: AED 627,592 thousand).

17 EMPLOYEES' END OF SERVICE BENEFIT

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

	2018	*2017*
	AED'000	*AED'000*
Balance at the beginning of the year	**14,133**	14,301
Charge for the year	**1,807**	3,984
Paid during the year	**(1,501)**	(4,152)
Transferred to Ultimate Parent	**(14,439)**	-
Balance at the end of the year	**-**	14,133

As discussed in note 2.2 and note 23 below, the Group does not have any employees on its payroll. The staff costs included in the consolidated income statement includes the costs of the Aldar Asset Management Business before the transfer of the Aldar Asset Management Business to the Company by the Ultimate Parent.

As these employees are on the payroll of the Ultimate Parent, the Ultimate Parent has the legal obligation in respect of the end of service benefits payable to the employees, the provision in this respect has been transferred to the Ultimate Parent through "Additional capital contribution".

18 OTHER FINANCIAL LIABILITY/OTHER FINANCIAL ASSET

The Group has entered into an interest rate swap contract to hedge its exposure to future cash flows arising from interest rate fluctuations. As at 31 December 2018, the notional amount of these derivatives amounted to AED 2,020 thousand (USD 550 million) with a change in fair value of AED 67,152 thousand recorded (2017: AED 5,748 thousand) in the consolidated statement of comprehensive income.

19 TRADE AND OTHER PAYABLES

	2018	*2017*
	AED'000	*AED'000*
Trade payables	**102,823**	64,260
Deferred income	**153,296**	169,899
Retention payable	**57,296**	37,012
Accruals	**327,359**	260,892
Other payables	**123,682**	148,822
	764,456	680,885

20 COST OF REVENUE

	2018 *AED'000*	*2017* *AED'000*
Direct staff cost	**204,986**	219,966
Housekeeping and facility management	**123,202**	128,237
Utilities	**79,050**	77,005
Direct hotels cost	**90,264**	88,130
Rent	**21,431**	26,062
Management fee*	**21,923**	21,916
Security	**18,921**	18,297
Others	**80,612**	76,004
	640,389	655,617

* Management fee represents the fee charged by the operators of the hotels for the management and operations of hotel properties.

21 MANAGEMENT FEE BY ULTIMATE PARENT

This represents a management fee charged at 0.5 percent per annum of the gross asset value of the properties managed and charged by the Ultimate Parent Company as per the assets management and services agreement.

22 SELLING AND MARKETING EXPENSES

	2018 *AED'000*	*2017* *AED'000*
Advertising	**3,673**	7,781
Exhibitions and sponsorships	**-**	1,065
	3,673	8,846

Selling and marketing expenses represents the expenses incurred by Aldar Asset Management Business before the transfer of Aldar Asset Management Business to the Company.

23 STAFF COSTS

	2018 *AED'000*	*2017* *AED'000*
Salaries, bonuses and other benefits	**24,584**	55,315
Employees' end of service benefits	**1,639**	3,100
Staff training and development	**110**	458
	26,333	58,873

As discussed in note 2.2, the Group does not have any employees on its payroll.

The overheads (staff costs and others in general and administrative expenses and selling and marketing expenses) for the six months period from 1 January 2018 to 30 June 2018 is based on carved out/ allocated figures of the Aldar Asset Management Business. From 1 July 2018 onwards these services were provided by the Ultimate Parent under the terms of the on assets management and services agreement (note 21) for which they were remunerated through a management fee.

24 FINANCE COSTS

	2018 AED'000	2017 AED'000
Finance cost on borrowings	**178,729**	208,061
Unwinding finance cost on lease liability	**9,217**	10,224
	187,946	218,285

There was no capitalised borrowing cost during the year ended 31 December 2018. The weighted average capitalisation rate of funds borrowed in 2017 was 3.75%.

25 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 Parent, Ultimate Parent, associated companies, directors, key management personnel of the Parent and Ultimate Parent and related entities. The terms of related party transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management. Government of Abu Dhabi is an indirect major shareholder of the Ultimate Parent.

The balances and transactions with related parties are disclosed below:

Balances with related parties

	2018 AED'000	2017 AED'000
Ultimate Parent:		
Net investment	-	10,216,011
Additional capital contribution	**11,056,236**	-
Corporate loan from Ultimate Parent	**2,759,214**	-
Management fee payable to the Ultimate Parent (note 21)	**39,359**	-
Trade and other receivables	**8,526**	-
Government of Abu Dhabi:		
Trade and other receivables	**79,011**	30,195

Outstanding borrowings of AED 794,643 thousand (31 December 2017: AED 1,660,100 thousand) are due to banks controlled by the Government of Abu Dhabi and major shareholder of the Ultimate Parent. Finance cost on these borrowings amounted to AED 9,353 thousand (2017: AED 71.9 thousand).

Deposits and bank balances of AED 221,005 thousand are kept with banks controlled by the Government of Abu Dhabi and major shareholder of the Ultimate Parent. Finance income on these deposits amounted to AED 45 thousand for the year ended 31 December 2018.

Letter of credits and bank guarantees issued through banks controlled by the Government of Abu Dhabi and major shareholder of the Ultimate Parent amounted to AED 200 thousand for the year ended 31 December 2018 (2017: AED 200 thousand).

25 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

Under the Facility Agreement executed on 2 September 2018, the Ultimate Parent has provided the Group with a total borrowing facility amounting to AED 3,000,000 thousand with a termination date at 7 years from the date of utilisation. The loan carries interest at 1% + 3M EIBOR. The balance as at 31 December 2018, represents the amount utilised by the Group under the Facility. The facility has been utilised to adjust the additional capital contribution by the Ultimate Parent.

Key management compensation
There were no key management compensation charged to the Group.

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

	2018	*2017*
	AED'000	*AED'000*
Government of Abu Dhabi:		
Revenue	**142,521**	142,171
Ultimate Parent:		
Management fee	**39,359**	-
Revenue	**26,233**	14,037

Transactions between Ultimate Parent and the Group are disclosed in notes 13, 14 and 21 to the consolidated financial statements.

26 COMMITMENTS AND CONTINGENCIES

26.1 Capital commitments

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

	2018	*2017*
	AED'000	*AED'000*
Investment properties under development	**7,178**	159,709

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

26.2 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	*2017*
	AED'000	*AED'000*
Buildings:		
Within one year	**630,514**	627,045
In the second to fifth year	**1,116,588**	1,179,352
After five years	**495,725**	539,467
	2,242,827	2,345,864

26 COMMITMENTS AND CONTINGENCIES continued

26.2 Operating lease commitments continued

Following the election to adopt IFRS 16, the resulting impact on the income statement and statement of cash flows is as follows:

The Group as lessee

	2018 AED'000	*2017 AED'000*
Unwinding of interest expense during the year on lease liabilities	**9,216**	10,224
Total cash outflow in respect of leases	**30,732**	20,718

26.3 Contingencies

	2018 AED'000	*2017 AED'000*
Letters of credit and bank guarantees		
Issued by the Group	**200**	200

27 FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

	2018 AED'000	*2017 AED'000*
Financial assets		
Loans and receivables (including cash and bank balances)	**589,842**	356,770
Financial liabilities		
Financial liabilities measured at amortised cost	**7,446,148**	5,900,001

27.2 Financial risk management

The Ultimate Parent's Corporate Finance and Treasury function provides services to the Group, 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.

27 FINANCIAL INSTRUMENTS continued

27.3 Capital risk management

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

The capital structure comprises non-convertible Sukuk, borrowings, cash and bank balances and loan from the Ultimate Parent.

The Group monitors and adjusts its capital structure with a view to promote the long-term success of the Group 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 group 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 3.99% (2017: 3.75%). Investment and opportunities are evaluated against an appropriate cost capital in order to ensure that long-term shareholder value is created. The Group has a policy of maintaining gross debt as a percentage of the asset portfolio value of between 35 and 40%.

The covenants of four (2017: nine) borrowing arrangements require the Group maintaining a minimum tangible net worth of AED 4 billion.

27.4 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 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 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 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	**2,836,750**	3,562,514	**64**	-

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

27 FINANCIAL INSTRUMENTS continued

27.4 Market risk management continued

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' exposures to interest rates on financial assets and financial liabilities are detailed in notes 10, 15, and 16.

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' profit for the year ended 31 December 2018 would decrease/ increase by AED 23,259 thousand/ AED 23,259 thousand (2017: decrease/ increase by AED 24,700 thousand/ AED 25,700 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.

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 cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

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

27.5 Credit risk management

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

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

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

Concentration of credit risk
Concentration of credit risk arise when a number of counterparties are engaged in similar group 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 performance affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 9.

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.

27 FINANCIAL INSTRUMENTS continued

27.6 Liquidity risk management

The responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the 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 financial assets and liabilities at 31 December 2018 based on contractual un-discounted maturities.

	< 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	**246,242**	**-**	**335,119**	**-**	**-**	**581,361**
Derivative instruments	**-**	**-**	**-**	**8,481**	**-**	**8,481**
Total	**246,242**	**-**	**335,119**	**8,481**	**-**	**589,842**
Financial liabilities						
Non-interest bearing instruments	**20,717**	**263,085**	**-**	**-**	**-**	**283,802**
Non-convertible Sukuk	**-**	**-**	**17,813**	**95,000**	**1,873,514**	**1,986,327**
Variable interest rate instruments	**9,703**	**17,676**	**53,429**	**4,915,561**	**453,290**	**5,449,659**
Lease liability	**30,247**	**6,560**	**7,719**	**100,027**	**144,815**	**289,368**
Derivative instruments	**-**	**-**	**-**	**5,543**	**-**	**5,543**
Total	**60,667**	**287,321**	**78,961**	**5,116,131**	**2,471,619**	**8,014,699**
31 December 2017						
Financial assets						
Non-interest bearing instruments	180,084	-	176,686	-	-	356,770
Total	180,084	-	176,686	-	-	356,770
Financial liabilities						
Non-interest bearing instruments	16,778	233,316	-	-	-	250,094
Non-convertible Sukuk	-	-	2,795,180	-	-	2,795,180
Variable interest rate instruments	9,182	58,304	814,073	1,477,366	517,278	2,876,203
Lease liability	-	14,651	5,680	79,301	146,177	245,809
Derivative instruments	-	-	5,748	-	-	5,748
Total	25,960	306,271	3,620,681	1,556,667	663,455	6,173,034

28 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	**1,831,951**	**1,839,285**	2,762,570	2,800,722

29 SEGMENT INFORMATION

29.1 Business segments

Segment information about the Group continuing operations for the year ended 31 December 2018 is presented below:

	Investment properties AED'000	***Hospitality and leisure AED'000***	***Cooling assets AED'000***	***Total AED'000***
Revenue and management fee excluding service charges	**1,271,461**	**450,840**	**-**	**1,722,301**
Revenue from service charges	**106,696**	**-**	**-**	**106,696**
Gross revenue	**1,378,157**	**450,840**	**-**	**1,828,997**
Cost of revenue excluding service charges	**(169,210)**	**(364,483)**	**-**	**(533,693)**
Service charge expenses	**(106,696)**	**-**	**-**	**(106,696)**
Gross profit	**1,102,251**	**86,357**	**-**	**1,188,608**
Depreciation and amortisation	**(450)**	**(108,426)**	**-**	**(108,876)**
Provisions, impairments and write downs, net	**(45,993)**	**29,416**	**-**	**(16,577)**
Fair value loss on investment properties	**(670,077)**	**-**	**-**	**(670,077)**
Finance income	**45**	**-**	**-**	**45**
Other income	**14,472**	**-**	**-**	**14,472**
Segment profit	**400,248**	**7,347**	**-**	**407,595**
Selling and marketing expenses				**(3,673)**
General and administrative expenses				**(47,976)**
Finance costs				**(187,946)**
Management fee				**(39,359)**
Profit for the year				**128,641**

Segment information about the continuing operations for the year ended 31 December 2017 is presented below:

	Investment properties AED'000	*Hospitality and leisure AED'000*	*Cooling assets AED'000*	*Total AED'000*
Revenue and management fee excluding service charges	1,288,767	479,840	-	1,768,607
Revenue from service charges	110,071	-	-	110,071
Gross revenue	1,398,838	479,840	-	1,878,678
Cost of revenue excluding service charges	(165,117)	(380,429)	-	(545,546)
Service charge expenses	(110,071)	-	-	(110,071)
Gross profit	1,123,650	99,411	-	1,223,061
Depreciation and amortisation	(603)	(113,375)	-	(113,978)
Provisions, impairments and write downs, net	(9,935)	(32,900)	-	(42,835)
Fair value loss on investment properties	(459,013)	-	-	(459,013)
Gain on disposal of investment properties	3,835	-	-	3,835
Finance income	10,062	-	-	10,062
Segment profit/ (loss)	667,996	(46,864)	-	621,132
Selling and marketing expenses				(8,846)
General and administrative expenses				(70,928)
Finance costs				(218,285)
Profit for the year				323,073

29 SEGMENT INFORMATION continued

29.1 Business segments continued

The segment assets and liabilities and capital and project expenditure are as follows:

	Investment properties AED'000	*Hospitality and leisure AED'000*	*Unallocated AED'000*	*Cooling assets AED'000*	*Total AED'000*
As at 31 December 2018					
Assets	**15,802,701**	**2,707,609**	**16,843**	**727,119**	**19,254,272**
Liabilities	**6,722,911**	**1,144,733**	**96,521**	**240,246**	**8,204,411**
For the year ended 31 December 2018					
Capital expenditures	**97,665**	**390,177**	**-**	**637,000**	**1,124,842**
Project expenditures	**1,911,340**	**-**	**-**	**-**	**1,911,340**
As at 31 December 2017					
Assets	14,329,834	2,347,554	71,469	-	16,748,857
Liabilities	998,279	136,217	5,404,098	-	6,538,594
For the year ended 31 December 2017					
Capital expenditures	23,590	14,165	-	-	37,755
Project expenditures	901,730	-	-	-	901,730

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing expenses 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. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings and non-convertible bonds and other financial liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

29.2 Geographical segments

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

30 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue on 27 May 2019 by the Board of Directors.

Aldar Asset Management Business

CARVE OUT FINANCIAL STATEMENTS

YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

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Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF

ALDAR ASSET MANAGEMENT BUSINESS

Report on the Audit of the Carve Out Financial Statements

Opinion
We have audited the carve out financial statements of Aldar Asset Management Business (hereinafter referred to as the "Business"), which comprise the carve out statement of financial position as at 31 December 2017, 31 December 2016 and 31 December 2015, and the related carve out statement of income, carve out statement of comprehensive income, carve out statement of changes in equity and carve out statement of cash flows for the years then ended, and notes to the carve out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve out financial statements present fairly, in all material respects, the financial position of the Business as at 31 December 2017, 31 December 2016 and 31 December 2015, and its financial performance and its 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 *Auditor's Responsibilities for the audit of the carve out financial statements* section of our report. We are independent of the Business 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 carve out 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.

Responsibilities of management and those charged with governance for the carve out financial statements
Management is responsible for the preparation and fair presentation of the carve out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve out financial statements, management is responsible for assessing the Business' 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 Business or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF

ALDAR ASSET MANAGEMENT BUSINESS continued

Report on the Audit of the Carve Out Financial Statements continued

Auditor's responsibilities for the audit of the carve out financial statements

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

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

- Identify and assess the risks of material misstatement of the carve out 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 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 Business' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve out 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 auditor's report. However, future events or conditions may cause the Business to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the carve out financial statements, including the disclosures, and whether the carve out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the carve out financial information of the entities or business activities within the Business to express an opinion on the carve out financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF

ALDAR ASSET MANAGEMENT BUSINESS continued

Report on the Audit of the Carve Out Financial Statements continued

Auditor's responsibilities for the audit of the carve out financial statements continued
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Save for any responsibility which we may have to those whom this report is expressly addressed and save for any responsibility under applicable law to investors purchasing Sukuk issued by Aldar Sukuk Ltd. in reliance on this report or as otherwise agreed in writing by us to any other party, to the fullest extent permissible by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 11.1 of Annex IX to the Prospectus Regulation (EC) No 809/2004 (as amended) (the "Prospectus Regulation"), consenting to its inclusion in the Prospectus.

Signed by:
Anthony O'Sullivan
Partner
Ernst & Young
Registration No: 687

11 September 2018
Abu Dhabi

CARVE OUT STATEMENT OF FINANCIAL POSITION
At 31 December 2017, 2016 and 2015

	Notes	**2017 AED'000**	*2016 AED'000*	*2015 AED'000*
ASSETS				
Non-current assets				
Property and equipment	5	**2,164,505**	2,300,456	2,443,906
Intangible assets	6	**782**	528	408
Investment properties	7	**14,007,611**	13,548,635	13,433,318
Total non-current assets		**16,172,898**	15,849,619	15,877,632
Current assets				
Inventories	8	**91,079**	90,975	91,377
Trade and other receivables	9	**285,915**	289,306	410,039
Cash and bank balances	10	**180,084**	221,143	235,433
Total current assets		**557,078**	601,424	736,849
TOTAL ASSETS		**16,729,976**	16,451,043	16,614,481
EQUITY AND LIABILITES				
Equity				
Net investment by the Parent	11	**10,197,130**	10,303,411	10,070,257
Hedging reserve	15	**(5,748)**	-	-
Total equity		**10,191,382**	10,303,411	10,070,257
Non-current liabilities				
Non-convertible sukuk	12	**-**	2,749,189	2,745,405
Bank borrowings	13	**1,820,273**	1,615,434	2,236,801
Lease liability		**225,478**	246,828	-
Provisions for employees' end of service benefit	14	**14,133**	14,301	13,551
Other financial liability	15	**5,748**	-	-
Total non-current liabilities		**2,065,632**	4,625,752	4,995,757
Current liabilities				
Non-convertible sukuk	12	**2,762,570**	9,983	9,983
Bank borrowings	13	**815,507**	634,824	400,162
Lease liability		**20,331**	9,871	-
Advances and security deposits		**193,669**	171,013	167,338
Trade and other payables	16	**680,885**	696,189	970,984
Total current liabilities		**4,472,962**	1,521,880	1,548,467
Total liabilities		**6,538,594**	6,147,632	6,544,224
TOTAL EQUITY AND LIABILITIES		**16,729,976**	16,451,043	16,614,481

The accompanying notes 1 to 27 form part of these carve out financial statements.

CARVE OUT STATEMENT OF INCOME
For the years ended 31 December 2017, 2016 and 2015

	Notes	***2017 AED'000***	*2016 AED'000*	*2015 AED'000*
Revenue		**1,878,678**	1,958,744	1,943,074
Costs of revenue	17	**(655,617)**	(681,539)	(734,769)
GROSS PROFIT		**1,223,061**	1,277,205	1,208,305
Selling and marketing expenses	18	**(8,846)**	(9,195)	(6,499)
General and administrative expenses				
Staff costs	19	**(58,873)**	(57,476)	(56,895)
Depreciation and amortisation	5 & 6	**(121,014)**	(122,861)	(126,883)
Provisions, impairments and write downs, net	5 & 9	**(42,835)**	(31,514)	(144,400)
Others		**(12,055)**	(8,528)	(6,900)
Gain on disposal of investment properties		**3,835**	14,409	32,376
Fair value (loss)/ gain on investment properties, net	7	**(456,193)**	(127,072)	1,168,023
Finance income	21	**10,062**	-	-
Finance costs	20	**(218,285)**	(208,842)	(216,638)
PROFIT FOR THE YEAR		**318,857**	726,126	1,850,489

The accompanying notes 1 to 27 form part of these carve out financial statements.

CARVE OUT STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017, 2016 and 2015

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Profit for the year	**318,857**	726,126	1,850,489
Other comprehensive income (loss) to be reclassified to income statement in subsequent periods:			
Changes in fair value of cash flow hedges (note 15)	**(5,748)**	-	-
Other comprehensive loss for the year	**(5,748)**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**313,109**	726,126	1,850,489

The accompanying notes 1 to 27 form part of these carve out financial statements.

CARVE OUT STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017, 2016 and 2015

	Net investment by the Parent AED'000	*Hedging reserve AED'000*	*Total equity AED'000*
Balance at 1 January 2015	6,327,230	-	6,327,230
Profit and total comprehensive income for the year	1,850,489	-	1,850,489
Movement in net investment by the Parent (note 11)	1,892,538	-	1,892,538
Balance at 31 December 2015	10,070,257	-	10,070,257
Effect of change in accounting policy (note 2.1)	(60,415)	-	(60,415)
Balance at 1 January 2016	10,009,842	-	10,009,842
Profit and total comprehensive income for the year	726,126	-	726,126
Movement in net investment by the Parent (note 11)	(432,557)	-	(432,557)
Balance at 31 December 2016	10,303,411	-	10,303,411
Profit for the year	318,857	-	318,857
Other comprehensive loss for the year	-	(5,748)	(5,748)
Movement in net investment by the Parent (note 11)	(425,138)	-	(425,138)
Balance at 31 December 2017	**10,197,130**	**(5,748)**	**10,191,382**

The accompanying notes 1 to 27 form part of these carve out financial statements.

CARVE OUT STATEMENT OF CASH FLOWS
For the years ended 31 December 2017, 2016 and 2015

	Notes	**2017 AED'000**	2016 AED'000	2015 AED'000
OPERATING ACTIVITIES				
Profit for the year		**318,857**	726,126	1,850,489
Adjustments for:				
Depreciation and amortisation	5 & 6	**121,014**	122,861	126,883
Finance costs		**198,687**	191,319	198,963
Amortisation of prepaid finance costs		**19,598**	17,523	17,675
Fair value loss/ (gain) on investment properties, net	7	**456,193**	127,072	(1,168,023)
Provision for impairment of property and equipment, net	5	**32,716**	33,583	139,555
Provision for/ (reversal of) impairment of trade receivables, net	9	**10,119**	(2,069)	4,845
Gain on disposal of investment properties		**(3,835)**	(14,409)	(32,376)
Provision for employees' end of service benefit	14	**3,984**	3,585	4,351
Operating cash flows before changes in working capital		**1,157,333**	1,205,591	1,142,362
Changes in working capital				
Trade and other receivables		**(6,729)**	122,803	(132,504)
Inventories		**(4,464)**	402	355
Advances and security deposits		**22,656**	3,675	38,781
Lease liability		**(10,890)**	9,044	-
Trade and other payables		**(25,741)**	(274,795)	(267,733)
Cash generated from operating activities		**1,132,165**	1,066,720	781,261
Employees' end of service benefits paid	14	**(4,152)**	(2,835)	(2,817)
Net cash generated from operating activities		**1,128,013**	1,063,885	778,444
INVESTING ACTIVITIES				
Purchase of property and equipment	5	**(37,755)**	(23,645)	(44,794)
Purchase of intangible assets	6	**(403)**	(176)	(9)
Additions to investment properties		**(901,730)**	(89,942)	(336,977)
Proceeds from disposal of investment properties		**15,094**	49,003	65,208
Movement in term deposits with original maturities greater than three months		**5,061**	(31)	549
Net cash used in investing activities		**(919,733)**	(64,791)	(316,023)
FINANCING ACTIVITIES				
Borrowings paid		**(627,592)**	(394,005)	(2,229,550)
Borrowings obtained		**1,000,000**	5,000	-
Finance costs paid		**(191,548)**	(191,853)	(205,339)
Movement in net investment by the Parent	11	**(425,138)**	(432,557)	1,892,538
Net cash used in financing activities		**(244,278)**	(1,013,415)	(542,351)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(35,998)**	(14,321)	(79,930)
Cash and cash equivalents at the beginning of the year		**216,082**	230,403	310,333
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	**180,084**	216,082	230,403
Non-cash transactions:				
Transfer of investment properties from Parent Company		**4,360**	-	339,321

The accompanying notes 1 to 27 form part of these carve out financial statements.

1 GENERAL INFORMATION

The establishment of Aldar Properties PJSC (the "Company" or the "Parent") 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 (UAE) and its registered office address is PO Box 51133, Abu Dhabi. The Company's ordinary shares are listed on Abu Dhabi Securities Exchange.

The Board of Directors of Aldar Properties PJSC, in their meeting held on 12 November 2017 approved the transfer of the Asset Management Business of Aldar Properties PJSC (the "Aldar Asset Management Business" or the "Business") to a fully owned subsidiary to be established named Aldar Investment Properties LLC. The Business comprises of a portfolio of investment properties and hotels managed by the Parent. The principal activities of the Business is to engage in the investment, management and associated services for real estate assets and the operation of hotels.

These carve out financial statements represent the assets and associated liabilities subject to the asset transfer agreement entered into between Aldar Properties PJSC and Aldar Investment Properties LLC (see note 3.1 for further details). Certain properties previously disclosed under the Asset Management segment in the consolidated financial statements of the Parent are not being transferred and accordingly not included in these carve out financial statements. These properties represented separate economic activities within the segment, in that, each property had distinguishable services being provided to customers, separate independent cash flows, minimal common costs borne by the Asset Management segment, and were managed independently with oversight of the chief operating decision maker (CODM).

2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 Standards issued and adopted

The Business applied certain standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2015, 1 January 2016 and 1 January 2017. The Business has also opted for the early adoption of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' with effect from 1 January 2015 and from 1 January 2016, respectively, resulting in a change in the policy of the Business in relation to revenue recognition on contracts with customers and its lease contracts as lessee. The Business has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment, other than IFRS 15 and IFRS 16, did not have a material impact on the carve out financial statements. The nature and the impact of each new standard, interpretation and amendment is described below:

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

The Business adopted IFRS 15 with effect from 1 January 2015. The Business has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2015 in equity. Based on the assessment of management, there was no impact of the early adoption of IFRS 15 on the carve out financial statements of the Business.

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

2.1 Standards issued and adopted continued

IFRS 16 Leases
IFRS 16 'Leases' was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019, with early adoption permitted. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property and equipment and investment properties) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (in case of property and equipment) or changes in the fair value (in case of investment properties) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 'Statement of Cash Flows'.

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

The Business adopted IFRS 16 with effect from 1 January 2016. The Business has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 16 on all contracts as at 1 January 2016 in equity.

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

Carve out statement of financial position

	31 December 2015 AED '000	*Adjustments AED '000*	*1 January 2016 AED '000*
Assets			
Investment properties (note 7)	13,433,318	176,335	13,609,653
Liabilities			
Lease liability	970,984	236,750	1,207,734
Equity			
Net investment by the Parent	10,070,257	(60,415)	10,009,842

Carve out statement of income

	As per IFRS 16 AED '000	*As per old policy AED '000*	*Impact due to change AED '000*
Direct costs for the year ended 31 December 2016	(681,539)	(708,984)	27,445
Fair value loss on investment properties for the year ended 31 December 2016	(127,072)	(110,461)	(16,611)
Finance costs for the year ended 31 December 2016	(208,842)	(197,937)	(10,905)
Profit for the year ended 31 December 2016	726,126	726,197	(71)

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

2.1 Standards issued and adopted continued

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

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

2.2 Standards effective 1 January 2015

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual Improvements 2011-2013 Cycle
The Business has applied these improvements for the first time in these carve out financial statements, however they did not have material impact on the carve out financial statements. They include:

IFRS 3 Business Combinations

The amendment clarifies for the scope exceptions within IFRS 3 that:

§ Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
§ This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

IAS 40 Investment Property

The amendment clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

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

2.2 Standards effective 1 January 2015 continued

Annual Improvements 2010-2012 Cycle

The Business has applied these improvements for the first time in these carve out financial statements, however they did not have a material impact. They include:

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

2.3 Standards, effective 1 January 2016

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

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

2.3 Standards, effective 1 January 2016 continued

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

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

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. The improvements did not impact the carve out financial statements. They include:

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

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

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

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

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

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

2.3 Standards, effective 1 January 2016 continued

Annual Improvements 2012-2014 Cycle continued
Amendments to IAS 1 Disclosure Initiative amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

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

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

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

2.4 Other standards effective 1 January 2017

- **Amendments to IAS 7 Statements of Cash Flows: Disclosure Initiative** require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

- **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Annual improvements 2014-2016 cycle, including:
- *Amendments to IFRS 12 Disclosures of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12:* The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

2.5 Standards issued but not yet effective

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

Standards, interpretation and amendments	***Effective on annual periods beginning on or after***
IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Prepayment Features with Negative Compensation – Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Annual Improvements 2014-2016 Cycle	
IFRS 1 First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018
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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These carve out financial statements are the first set of financial statements of the Business as the Business did not constitute a separate legal entity in any of the periods presented. These carve out financial statements have been prepared for the purpose of inclusion in the prospectus in connection with the proposed issue of Sukuk to be listed on the Irish Stock Exchange and the Abu Dhabi Stock Exchange by Aldar Investment Properties LLC as Obligor. The Business has historically operated as part of the Parent and not as a standalone company. These financial statements representing the historical operations of the Business have been derived from the Parent's historical accounting records and are presented on a carve out basis.

These carve out financial statements have been prepared in accordance with IFRS. IFRS does not provide guidance for the preparation of carve out historical financial statements, or for the specific accounting treatment set out below. These carve out financial statements are prepared on a basis that combines the results and assets and liabilities of each of the operations constituting the Business by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements" and include the assets, liabilities, revenues and expenses that management has determined are attributable to the Business.

This basis of preparation describes how the carve out historical financial statements has been prepared in accordance with IFRS.

The accounting policies have been consistently applied except for IFRS 16 which the Business has elected to early adopt with effect from 1 January 2016. The accounting policies in respect of leases both before and after the effective date of adoption of IFRS 16 are disclosed in note 3.3. As the Business has early adopted IFRS 15 with effect from 1 January 2015, the revenue recognition policy in line with IFRS 15 and as disclosed in note 2.1 has been consistently applied for all the years presented.

The following summarises the accounting and other principles applied in preparing these carve out financial statements:

- As the Business did not comprise a separate legal entity, therefore it is not meaningful to present share capital or an analysis of reserves or components of other comprehensive income, other than hedging reserves which is separately identifiable. Net investment by the Parent represents a combination of the overall receivables and payables with Parent, funding balances with Parent and investment by Parent in the Business, which cannot be separately identified or allocated throughout the periods presented.

- The carve out statement of financial position of the Business includes Parent's assets and liabilities that are specifically identifiable or otherwise attributable to the Business.

- Parent's borrowings including non-convertible Sukuk, that will be transferred to the Business pursuant to the reorganisation of the Group, or which were obtained/ raised by the Parent and utilised for the purpose of the Business, have been attributed to the Business. Under the proposed reorganisation, the borrowings, including non-convertible Sukuk, which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

- Cash balances that are specifically identifiable and attributable to Aldar Asset Management Business have been included in these carve out financial statements.

- In accordance with the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, including the intended use of property, certain properties that were classified under property and equipment in the consolidated statement of financial position of the Parent have been reclassified as investment properties in the carve out statement of financial position of the Parent and accounted for in accordance with the accounting policies disclosed below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Basis of preparation continued

- Liability in respect of end of service benefits payable to indirect employees involved in the hotel operations under management agreement with the operator of the hotels, will be transferred to the Business and have been included in the carve out financial position of the Business.

- All revenues and costs associated with the Business are included in these financial statements.

- Certain expenses including staff costs, selling and marketing expenses and general and administrative expenses, associated with the Business but borne by the Parent, have been allocated in these financial statements. These represent certain corporate and shared service function historically provided by the Parent, including, but not limited to, executive oversight, accounting, treasury, human resources, procurement, information technology, marketing, and other shared services. These expenses have been allocated to the Business on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated sales and staff cost, representing reasonable reflection of the historical utilisation levels of the services. Although the management believes that the assumptions underlying the allocation of these expenses to the Business are reasonable, however, these allocated expenses may not be representative of the amounts that would have been reflected in these carve out financial statements, had the Business operated independently of the Parent. Actual costs that would have been incurred if the Business operated as independently would depend on multiple factors including organisational structure and strategic decision made in various areas. In addition, these allocated expenses are not representative of future performance of the Business if operated independently.

- Transaction between the Business and Parent are considered to be settled in the carve out financial statements at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in the carve out statement of cash flows within financing activities and on carve out statement of financial position within "Net Investment of the Parent".

- All transactions and accounts within the Business have been eliminated.

These carve out financial statements do not constitute statutory financial statements within the meaning of UAE Company Law No. (2) of 2015.

The carve out financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of investment properties and derivatives. The management believes that the Business has adequate resources to continue as going concern in the foreseeable future.

These carve out financial statements have been presented in UAE Dirhams (AED), which is also the functional currency of the Business. All values are rounded to the nearest thousand except where otherwise indicative.

The accounting policies used in preparation of these carve out financial statements are consistent with those used in preparation of the consolidated financial statements of the Parent for the years ended 31 December 2015, 31 December 2016 and 31 December 2017. These accounting policies are discussed below:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Revenue recognition

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

Revenue from contracts with customers
The Business 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 Business 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 Business allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Business expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue when (or as) the Business satisfies a performance obligation.

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

a) The Business' performance does not create an asset with an alternate use to the Business and the Business has as an enforceable right to payment for performance completed to date.
b) The Business'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 Business' performance as the Business 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 Business 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 Business 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 Business 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 Business acts as principal in this respect.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Leases

The Business had elected to early adopt IFRS 16 with effect from 1 January 2016. Below are the accounting policies used by the Business in respect of contracts containing leases before and after the adoption of IFRS 16.

Before adoption of IFRS 16 with effect from 1 January 2016
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

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

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

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

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

After early adoption of IFRS 16 with effect from 1 January 2016
At inception of a contract, the Business 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 Business accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The Business 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 Business 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 Business revises the lease term if there is a change in the non-cancellable period of a lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Leases continued

The Business as a lessee
For a contract that contains a lease component and one or more additional lease or non-lease components, the Business 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 Business estimates the stand-alone price, maximising the use of observable information.

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

For determination of the lease term, the Business 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 Business; and
b) affects whether the Business 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 Business 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 Business 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 Business remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Business determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Business 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 Business use a revised discount rate that reflects changes in the interest rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Leases continued

Lease liability continued
The Business 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 Business recognises any remaining amount of the re-measurement in profit or loss.

The Business 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 Business, 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 Business; and
d) an estimate of costs to be incurred by the Business 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 Business 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 Business applies fair value model to right-of-use assets that meet the definition of investment property. For assets that meet the definition of property and equipment, right of use asset is amortised over the term of the lease.

3.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Borrowing costs

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

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

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

3.6 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Business 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
Furniture and fixtures	5
Office equipment	3 – 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 – 4

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.7 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted in accordance with the policies.

3.8 Investment properties

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

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

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

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises 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.

3.10 Intangible assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.11 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

3.12 Provisions

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

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

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

3.13 Employee benefits

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.14 Financial assets

Financial assets are classified into the following specified categories: ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Business does not have any available for sale financial asset. Loans and receivable include cash and bank balances, trade and other receivables, amounts due from related parties and loans and advances to third parties.

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.15 Financial liabilities and equity instruments issued by the Business

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

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

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

Derecognition of financial liabilities
The Business derecognises financial liabilities when, and only when, the obligations are discharged, cancelled or they expired.

3.16 Derivative financial instruments

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.16 Derivative financial instruments continued

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

Note 23.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

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

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

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

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

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical judgments in applying accounting policies

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

Determination of transaction prices in contracts with customers
The Business is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Business 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 Business 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.

Discount rate used for initial measurement of lease liability
The Business, 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 Business uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Business 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 Business 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
Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/ or property held for sale. The Business develops criteria so that it can exercise that judgment consistently. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by the management.

Going concern
The business had net current liabilities of AED 3,915,884 thousand as at 31 December 2017. The most significant current liability is the non-convertible Sukuk of AED 2,762,570 thousand. The intention is that this Sukuk will be settled from the proceeds of the proposed Sukuk discussed in Note 3.1. In the event that the proposed Sukuk transaction does not occur then Aldar Properties PJSC is obligated under the terms of the non-convertible Sukuk to settle this liability on behalf of the Business and has the ability to do so. Based on the expected cash flows of the Business and the ability to settle the non-convertible Sukuk liability management are confident that the Business has the ability to settle its obligations as they fall due.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty

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

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

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

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

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

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2017, 31 December 2016 and 31 December 2015, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment properties and investment properties under construction.

The key assumptions used are as follows:

	2017	*2016*	*2015*
	Range %	*Range %*	*Range %*
Targeted internal rate of return	9 – 15	9 – 15	12-17
Rental yield	7 – 12	7 – 12	7-12

Impairment of property and equipment and capital work in progress
Properties classified under property 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 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.

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

5 PROPERTY AND EQUIPMENT

	Buildings AED'000	*Furniture and fixtures AED'000*	*Office equipment AED'000*	*Computers AED'000*	*Motor vehicles AED'000*	*Leasehold improvements AED'000*	*Capital work-in -progress AED'000*	*Total AED'000*
Cost								
At 1 January 2015	5,054,682	319,331	24,610	31,769	1,427	2,527	20,151	5,454,497
Additions	2,648	32,113	8,926	1,107	-	-	-	44,794
Transfers	-	10,178	-	-	-	-	(10,178)	-
Transfers to investment properties (note 7)	-	-	-	-	-	-	(696)	(696)
At 1 January 2016	5,057,330	361,622	33,536	32,876	1,427	2,527	9,277	5,498,595
Additions	8,742	5,814	843	591	-	-	7,655	23,645
Transfers	5,871	-	(5,871)	-	-	-	-	-
Transfers to investment properties (note 7)	(10,707)	-	-	-	-	-	-	(10,707)
At 1 January 2017	5,061,236	367,436	28,508	33,467	1,427	2,527	16,932	5,511,533
Additions	328	7,531	-	1,176	-	-	28,720	37,755
Transfers to investment properties (note 7)	-	-	-	-	-	-	(20,125)	(20,125)
At 31 December 2017	**5,061,564**	**374,967**	**28,508**	**34,643**	**1,427**	**2,527**	**25,527**	**5,529,163**

5 PROPERTY AND EQUIPMENT continued

	Buildings AED'000	*Furniture and fixtures AED'000*	*Office equipment AED'000*	*Computers AED'000*	*Motor vehicles AED'000*	*Leasehold improvements AED'000*	*Capital work-in -progress AED'000*	*Total AED'000*
Accumulated depreciation								
At 1 January 2015	2,428,501	303,285	21,862	31,082	1,034	2,527	-	2,788,291
Charge for the year	110,915	12,232	2,873	687	136	-	-	126,843
Impairment	139,555	-	-	-	-	-	-	139,555
At 1 January 2016	2,678,971	315,517	24,735	31,769	1,170	2,527	-	3,054,689
Charge for the year	105,534	15,285	1,249	612	125	-	-	122,805
Impairment	33,583	-	-	-	-	-	-	33,583
At 1 January 2017	2,818,088	330,802	25,984	32,381	1,295	2,527	-	3,211,077
Charge for the year	104,290	14,256	1,398	823	98	-	-	120,865
Impairment	32,716	-	-	-	-	-	-	32,716
At 31 December 2017	**2,955,094**	**345,058**	**27,382**	**33,204**	**1,393**	**2,527**	**-**	**3,364,658**
Carrying amount								
At 31 December 2015	2,378,359	46,105	8,801	1,107	257	-	9,277	2,443,906
At 31 December 2016	2,243,148	36,634	2,524	1,086	132	-	16,932	2,300,456
At 31 December 2017	**2,106,470**	**29,909**	**1,126**	**1,439**	**34**	**-**	**25,527**	**2,164,505**

All of the property and equipment are located in the United Arab Emirates.

5 PROPERTY AND EQUIPMENT continued

At each reporting period end, the management carried out a review of recoverable value of its property and equipment. The review led to impairment of AED 32.7 million (2016: impairment of AED 33.6 million and 2015: AED 139.6 million), which has been recorded in the income statement. The recoverable value of relevant assets has been determined by reference to the discounted cash flow method using a yield of 7.5% to 9.0% (2016: 7.75% to 10% and 2015: 8% to 9.75%) and a discount rate of 10.25% to 13.0% (2016: 10.75% to 13.0% and 2015: 11% to 12.75%).

The management conducted a sensitivity analysis for all its hotel properties classified under property 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 as of 31 December 2017*:*

- a decrease in the Discount Rate & Exit Yield by 50bps would result in AED 148 million or 7.2% increase in the recoverable value, whilst an increase in the Discount Rate & Exit Yield by 50bps would result in AED 130 million or 6.3% decrease in the recoverable value.

- an increase in the RevPAR by 10% would result in a AED 402 million or 19.5% increase in the recoverable value, whilst a decrease in the RevPAR by 10% would result in AED 401 million or 19.4% decrease in the recoverable value.

6 INTANGIBLE ASSETS

	Computer software AED'000
Cost	
At 1 January 2015	2,016
Additions	9
At 1 January 2016	2,025
Additions	176
At 1 January 2017	2,201
Additions	403
At 31 December 2017	**2,604**
Accumulated amortisation	
At 1 January 2015	1,577
Charge for the year	40
At 1 January 2016	1,617
Charge for the year	56
At 1 January 2017	1,673
Charge for the year	149
At 31 December 2017	**1,822**
Carrying amount	
31 December 2015	408
31 December 2016	528
31 December 2017	**782**

7 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:

	Completed properties AED'000	*Properties under development AED'000*	*Total AED'000*
Balance at 1 January 2015	11,617,972	3,161	11,621,133
Additions during the year, net	671,424	4,874	676,298
Fair value gain, net	1,168,023	-	1,168,023
Disposals	(32,832)	-	(32,832)
Transfer from property and equipment (note 5)	696	-	696
Balance at 1 January 2016	13,425,283	8,035	13,433,318
Effect of change in accounting policy (note 2.1)	176,335	-	176,335
	13,601,618	8,035	13,609,653
Additions during the year, net	908	89,034	89,942
Fair value loss, net	(127,072)	-	(127,072)
Disposals	(34,595)	-	(34,595)
Transfer from property and equipment (note 5)	10,707	-	10,707
Balance at 1 January 2017	13,451,566	97,069	13,548,635
Additions during the year, net	626,091	279,999	906,090
Finance cost capitalised	-	213	213
Fair value loss, net	(456,193)	-	(456,193)
Disposals	(11,259)	-	(11,259)
Transfers	165,233	(165,233)	-
Transfer from property and equipment (note 5)	20,125	-	20,125
Balance at 31 December 2017	**13,795,563**	**212,048**	**14,007,611**

Additions during the year ended 31 December 2015, 2016 and 2017 include transfer from Parent amounting to AED 339.32 million, AED 83.54 million and AED 4.36 million respectively.

All investment properties are located in the United Arab Emirates.

The fair values of the investment properties are arrived at on the basis of a valuation carried out by independent valuers. 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 valuations were conducted as at 31 October 2015, 2016 and 2017 and as per management assessment, there were no significant changes to the fair values of these investment properties from the date of valuation to the reporting dates. Refer to note 4.2 for the key assumptions used.

2015

The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 10.4 billion. 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 681 million or 6.6 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 600 million 5.8% decrease in the valuation.

- an increase in the rental rates by 10% would result in an AED 829 million or 8.0% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 830 million or 8.0% decrease in the valuation.

7 INVESTMENT PROPERTIES continued

2016
The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 11.0 billion. 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 654 million or 6.0 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 678 million 6.2% decrease in the valuation.

- an increase in the rental rates by 10% would result in an AED 988 million or 9.0% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 987 million or 9.0% decrease in the valuation.

2017
The management conducted a sensitivity analysis for seven largest assets in its investment property portfolio with an aggregate value of AED 10.8 billion. 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 654 million or 6.1 % increase in the valuation, whilst an increase in the Capitalisation/ Discount Rate by 50bps would result in AED 611 million 5.7% decrease in the valuation.

- an increase in the rental rates by 10% would result in an AED 833 million or 7.7% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 850 million or 7.9% decrease in the valuation.

The unobservable inputs are interrelated and are determined by market conditions. The valuations 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.

The legal titles of investment properties are currently in the name of the Parent. The legal formalities are in process to transfer these titles.

8 INVENTORIES

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Completed properties	**83,544**	83,544	83,544
Operating inventories	**7,535**	7,431	7,833
	91,079	90,975	91,377

Operating inventories represent inventory relating to the Hospitality segment only. As at 31 December 2017, 2016 and 2015, no provision has been recorded against these inventories.

Completed properties comprise of certain units in an investment property which qualifies for the classification of inventory as these units were initially intended for sale in the normal course of business. These units were leased out till the intended sale price is achieved. The leasing contracts were being managed by the asset management business of Aldar. As part of the reorganisation, the management intends to transfer these units to the Business for future lease. Completed properties are located in United Arab Emirates.

9 TRADE AND OTHER RECEIVABLES

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Trade receivables	**169,936**	158,877	116,053
Less: provision for impairment	**(37,527)**	(27,408)	(29,477)
	132,409	131,469	86,576
Advances and prepayments	**66,360**	85,837	73,419
Accrued income	**42,869**	10,997	36,410
Other receivables	**44,277**	61,003	213,634
	285,915	289,306	410,039

As at 31 December 2017, 25% of the trade receivables (2016: 14% and 2015: 9% of the trade receivables) are due from its top five customers.

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Ageing of unimpaired trade receivables			
Not past due	**90,989**	104,884	79,522
Past due (more than 180 days)	**41,420**	26,585	7,054
Total	**132,409**	131,469	86,576

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

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Balance at the beginning of the year	**27,408**	29,477	24,632
Provision/ (reversal of provision) for impairment during the year, net	**10,119**	(2,069)	4,845
Balance at the end of the year	**37,527**	27,408	29,477

10 CASH AND CASH EQUIVALENTS

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Cash and bank balances	**180,084**	216,082	230,403
Short term deposits held with banks	**-**	5,061	5,030
Cash and bank balances	**180,084**	221,143	235,433
Short term deposits with original maturities greater than three months	**-**	(5,061)	(5,030)
Cash and cash equivalents	**180,084**	216,082	230,403

The interest rate on term deposits ranges (2016: 0.89 % and 2015: 0.52% and 1.7% per annum). All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

11 NET INVESTMENT BY THE PARENT

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Balance at the beginning of the year	**10,303,411**	10,070,257	6,327,230
Effect of change in accounting policy (note 2.1)	**-**	(60,415)	-
Profit for the year	**318,857**	726,126	1,850,489
Movement in net investment by the Parent *	**(425,138)**	(432,557)	1,892,538
Balance at the end of the year	**10,197,130**	10,303,411	10,070,257

*Movement in net investment by the Parent is represented by:

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Allocation of expenses to the Business by the Parent	**400,165**	397,707	407,316
Transfer of investment properties	**4,360**	-	339,321
Cash pooling, general financing and other activities	**(829,663)**	(830,264)	1,145,901
	(425,138)	(432,557)	1,892,538

12 NON-CONVERTIBLE SUKUK

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Proceeds from issue	**2,755,125**	2,755,125	2,755,125
Gross issue costs	**(18,580)**	(18,239)	(18,033)
Less: amortisation of issue costs	**16,042**	12,303	8,313
Unamortised issue costs	**(2,538)**	(5,936)	(9,720)
Add: accrued profit	**9,983**	9,983	9,983
Carrying amount	**2,762,570**	2,759,172	2,755,388
Less: current portion	**(2,762,570)**	(9,983)	(9,983)
Non-current portion	**-**	2,749,189	2,745,405

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

As explained in note 3.1, under the proposed reorganisation, the non-covertible Sukuk, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

13 BANK BORROWINGS

	Current AED'000	*Non-current AED'000*	*Total AED'000*	*Interest rate*	*Maturity*	*Purpose*
31 December 2017						
Term loan	**-**	**600,000**	**600,000**	EIBOR + 1.30%	July 2019	Refinancing of debt
Term loan	**-**	**160,000**	**160,000**	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	**807,389**	**-**	**807,389**	3 months LIBOR + 1.40%	November 2018	General purpose
Term loan	**-**	**5,000**	**5,000**	EIBOR + 1.80%	August 2023	General purpose
Lease facility	**-**	**80,000**	**80,000**	EIBOR + 1.40%	December 2019	General purpose
Term loan (ii)	**-**	**500,000**	**500,000**	EIBOR + 1.25%	August 2021	General purpose
Term loan (ii)	**-**	**500,000**	**500,000**	EIBOR + 1.30%	August 2023	General purpose
	807,389	**1,845,000**	**2,652,389**			
Unamortised borrowing cost	**-**	**(24,727)**	**(24,727)**			
Accrual for interests and profits	**8,118**	**-**	**8,118**			
	815,507	**1,820,273**	**2,635,780**			
31 December 2016						
Government loan (iii)	163,009	-	163,009	1 year USD LIBOR + 0.35%	December 2017	General purpose
Term loan	-	600,000	600,000	EIBOR + 1.35%	July 2019	Refinancing of debt
Term loan (iv)	312,500	-	312,500	3 months EBOR + 1%	December 2017	General purpose
Term loan (iv)	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	152,083	807,389	959,472	3 months LIBOR + 1.4%	November2018	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
Term loan	-	5,000	5,000	EIBOR + 1.8%	August 2023	General purpose
	627,592	1,652,389	2,279,981			
Unamortised borrowing cost	-	(36,955)	(36,955)			
Accrual for interests and profits	7,232	-	7,232			
	634,824	1,615,434	2,250,258			
31 December 2015						
Government loan (iii)	81,505	163,010	244,515	1 year USD LIBOR + 0.35%	December 2017	General purpose
Term loan	-	600,000	600,000	EIBOR + 1.35%	July 2019	Refinancing of debt
Term loan (iv)	-	160,000	160,000	EIBOR + 1.40%	June 2019	Refinancing of debt
Term loan (i)	-	959,472	959,472	3 months LIBOR + 1.4%	November 2018	General purpose
Term loan (iv)	312,500	312,500	625,000	3 months EIBOR + 1%	December 2017	General purpose
Lease facility	-	80,000	80,000	EIBOR + 1.40%	December 2019	General purpose
	394,005	2,274,982	2,668,987			
Unamortised borrowing cost	-	(38,181)	(38,181)			
Accrual for interests and profits	6,157	-	6,157			
	400,162	2,236,801	2,636,963			

All borrowings except government loan were secured against various assets of the Parent including certain assets of the Business.

13 BANK BORROWINGS continued

The borrowings are repayable as follows:

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Current	**815,507**	634,824	400,162
Non-current	**1,820,273**	1,615,434	2,236,801

(i) The term loan facility of USD 750 million (AED 2.75 billion) was obtained in November 2013 of which USD 375 million (Facility A) was prepaid during the year ended 31 December 2015, and the remaining USD 375 million (Facility B) is repayable in quarterly instalments until November 2018.

(ii) Three new bilateral facilities with banks were signed for AED 1.8 billion to refinance existing loans. The new facilities comprised of AED 400 million for a tenor of 10 years, AED 900 million for a tenor of 7 years and AED 500 million for a tenor of 5 years. These facilities have bullet maturities. As at 31 December 2017, AED 1.05 billion was drawn and the balance remained committed and undrawn.

(iii) The term loan facility for AED 1.25 billion was repayable in four equal instalments commencing 15 December 2014. The loan was fully repaid on 17 December 2017.

(iv) A number of bilateral facilities with banks for AED 2.1 billion. The facilities comprised of AED 1.3 billion of committed revolving credit facilities for a tenor of 3 years and AED 0.8 billion of term loans with a maturity of 5 years. In December 2015, the terms of the revolving credit facilities were renegotiated, increasing the facility amounts from AED 1.3 billion to AED 1.4 billion and extending the maturity until 31 March 2021 with an option to extend the maturity for a further 2 years. As at 31 December 2017, these facilities remained committed and undrawn.

Borrowings repaid during the year amounted to AED 627.6 million (2016: 394 million and 2015: AED 2.23 billion).

As explained in note 3.1, under the proposed reorganisation, certain borrowing which will not be transferred to the Business, will either be refinanced through the undrawn facilities being transferred or through new facilities obtained from financial institutions, the Parent (through intercompany debt) or the proposed issue of Sukuk.

14 PROVISIONS FOR EMPLOYEES' END OF SERVICE BENEFIT

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

	2017 ***AED'000***	*2016* *AED'000*	*2015* *AED'000*
Balance at the beginning of the year	**14,301**	13,551	12,017
Charge for the year	**3,984**	3,585	4,351
Paid during the year	**(4,152)**	(2,835)	(2,817)
Balance at the end of the year	**14,133**	14,301	13,551

The employees' end of service benefit represents the provision in respect of employees to whom the Business is legally obligated to pay end of service benefits.

15 OTHER FINANCIAL LIABILITY

The Business has entered into interest rate swap contract to hedge its exposure to future cash flows due to interest rate fluctuations. As at 31 December 2017, the notional amount of these derivatives amounted to AED 2,867,272 thousand with a negative change in fair value of AED 5,748 thousand recorded in the carve out statement of comprehensive income.

16 TRADE AND OTHER PAYABLES

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Trade payables	**64,260**	78,996	85,815
Deferred income	**169,899**	222,776	237,547
Retention payable	**37,012**	10,314	58,023
Accruals	**260,892**	299,153	470,211
Other payables	**148,822**	84,950	119,388
	680,885	696,189	970,984

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

17 COST OF REVENUE

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Direct staff cost	**219,966**	228,720	239,093
Housekeeping and facility management	**128,237**	118,579	100,962
Utilities	**77,005**	66,221	72,524
Direct hotels cost	**88,130**	94,396	109,068
Rent	**26,062**	25,714	39,852
Management fee	**21,916**	26,791	32,000
Security	**18,297**	18,196	14,557
Others	**76,004**	102,922	126,713
	655,617	681,539	734,769

18 SELLING AND MARKETING EXPENSES

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Advertising	**7,781**	8,688	6,499
Exhibitions and sponsorships	**1,065**	507	-
	8,846	9,195	6,499

19 STAFF COSTS

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Salaries, bonuses and other benefits	**55,315**	54,035	53,075
Employees' end of service benefits	**3,100**	2,536	2,820
Staff training and development	**458**	905	1,000
	58,873	57,476	56,895

20 FINANCE COSTS

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Finance cost on borrowings	**208,061**	197,937	216,638
Unwinding finance cost on lease liability (note 22.2)	**10,224**	10,905	-
	218,285	208,842	216,638

The weighted average capitalisation rate of funds borrowed is 3.75 % (2016: 3.60% and 2015: 3.26%) per annum.

21 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 Parent, associated companies, directors, key management personnel of the Parent and related entities. The terms of related party transactions are approved by the Parent's management and are made on terms agreed by the Board of Directors of the Parent. Government of Abu Dhabi is an indirect major shareholder of the Parent.

The balance and transaction with related parties are disclosed below:

Balance with related parties

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Net investment by the Parent	**10,197,130**	10,303,411	10,070,257
Due from Government			
Other receivables	**30,195**	58,349	188,756

Outstanding borrowings of AED 1,660.1 million (31 December 2016: AED 1,319.3 million and 31 December 2015: 1,712.6 million) are due to banks controlled by the Government. Finance cost on these borrowings amounted to AED 71.9 million (2016: AED 49.2 million and 31 December 2015: 51 million).

21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

Transactions with related parties

Key management compensation
The key management compensation was charged to the Business as part of allocation of cost as given in note 3.1.

Income from Government and major shareholder owned by Government:

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Rental income	**139,796**	99,894	102,242
Project management income	**22,500**	22,500	22,500
Finance income (i)	**10,062**	-	-
	172,358	122,394	124,742

(i) Finance income represents interest on the amounts due from a related party.

The Business has also leased out certain properties to the Parent. The rental income in relation to these properties amount to AED 14,037 thousand, AED 14,037 thousand and AED 13,547 thousand for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 respectively. The balances in relation to these are adjusted through the Net investment by the Parent.

Transactions between Parent and Business, including the allocation of expenses to the Business, are disclosed in note in note 11 to the carve out financial statements.

22 COMMITMENTS AND CONTINGENCIES

22.1 Capital commitments

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

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Investment properties under development	**159,709**	419,754	10,510

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

22.2 Operating lease commitments

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

The Business as lessor

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Buildings:			
Within one year	**627,045**	535,268	621,612
In the second to fifth year	**1,179,352**	1,020,158	1,590,836
After five years	**539,467**	422,722	410,795
	2,345,864	1,978,148	2,623,243

22 COMMITMENTS AND CONTINGENCIES continued

22.2 Operating lease commitments continued

Following the election to adopt IFRS 16, the resulting impact on the income statement and statement of cash flows is as follows:

The Business as lessee

	2017	*2016*
	AED'000	*AED'000*
Unwinding of interest expense during the year on lease liabilities (note 20)	**10,224**	10,905
Total cash outflow in respect of leases	**20,718**	20,704

22.3 Contingencies

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Letters of credit and bank guarantees			
Issued by the Business	**200**	200	200

23 FINANCIAL INSTRUMENTS

23.1 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 carve out financial statements.

23.2 Categories of financial instruments

	2017	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*
Financial assets			
Loans and receivables (including cash and bank balances)	**356,770**	413,615	535,643
Financial liabilities			
Financial liabilities measured at amortised cost	**5,900,001**	5,440,388	5,655,577

23 FINANCIAL INSTRUMENTS continued

23.3 Financial risk management

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

The Business analyses financial risks under the following captions:

23.4 Capital risk management

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

The capital structure comprises non-convertible Sukuk, borrowings, cash and bank balances and net investment by the Parent.

The Business 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 Business monitors its cost of debt on a regular basis. At 31 December 2017, the weighted average cost of debt was 3.75% (2016: 3.60% and 2015: 3.26%). Investment and opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created. The Business has a policy of maintaining a loan to value ratio of no more than 40%.

The covenants of seven (2016: seven and 2015: four) borrowing arrangements require the Business maintaining a minimum tangible net worth of AED 6.0 billion.

23.5 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.

23 FINANCIAL INSTRUMENTS continued

23.5 Market risk management continued

a) Foreign currency risk management

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

Foreign currency sensitivity analysis
The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities			**Assets**		
	2017	*2016*	*2015*	***2017***	*2016*	*2015*
	AED'000	*AED'000*	*AED'000*	***AED'000***	*AED'000*	*AED'000*
US Dollar	**3,562,514**	3,714,698	3,714,597	-	-	-

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

b) Interest rate risk management

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

The Business' exposures to interest rates on financial assets and financial liabilities are detailed in notes 10, 13, and 20.

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 Business' profit for the year ended 31 December 2017 would decrease/ increase by AED 24.7 million/ AED 25.7 million (2016: decrease/ increase by AED 20.6 million/ AED 19.5 million and 2015: decrease/ increase by AED 24.3 million/ AED 16.0 million).

Interest rate swap contracts
Under interest rate swap contracts, the Business agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Business 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.

23 FINANCIAL INSTRUMENTS continued

23.5 Market risk management continued

b) Interest rate 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 cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

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

23.6 Credit risk management

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

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

The Business has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Business 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 performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 9.

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.

23.7 Liquidity risk management

The responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements. The Business 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.

23 FINANCIAL INSTRUMENTS continued

23.7 Liquidity risk management continued

The table below summarises the maturity profile of the financial assets and liabilities at 31 December 2017, 2016 and 2015 based on contractual maturities.

	< 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 2017						
Financial assets						
Non-interest bearing instruments	**180,084**	**-**	**176,686**	**-**	**-**	**356,770**
Total	**180,084**	**-**	**176,686**	**-**	**-**	**356,770**
Financial liabilities						
Non-interest bearing instruments	**16,778**	**233,316**	**-**	**-**	**-**	**250,094**
Non-convertible Sukuk (note 12)	**-**	**-**	**2,795,180**	**-**	**-**	**2,795,180**
Variable interest rate instruments (note 13)	**9,182**	**58,304**	**814,073**	**1,477,366**	**517,278**	**2,876,203**
Lease liability	**-**	**14,651**	**5,680**	**79,301**	**146,177**	**245,809**
Derivative instruments	**-**	**-**	**5,748**	**-**	**-**	**5,748**
Total	**25,960**	**306,271**	**3,620,681**	**1,556,667**	**663,455**	**6,173,034**
31 December 2016						
Financial assets						
Non-interest bearing instruments	216,082	-	192,472	-	-	408,554
Variable interest rate instruments (note 10)	-	-	5,061	-	-	5,061
Total	216,082	-	197,533	-	-	413,615
Financial liabilities						
Non-interest bearing instruments (1)	5,386	168,874	-	-	-	174,260
Non-convertible sukuk (note 12)	-	-	42,593	2,781,799	-	2,824,392
Variable interest rate instruments (note 13)	7,324	51,432	617,580	1,694,155	5,143	2,375,634
Lease liability	-	4,451	5,420	82,050	164,778	256,699
Total	12,710	224,757	665,593	4,558,004	169,921	5,630,985

(1) Including security deposits from customers.

	< 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 2015						
Financial assets						
Non-interest bearing instruments	230,403	-	300,210	-	-	530,613
Variable interest rate instruments (note 10)	-	-	5,030	-	-	5,030
Total	230,403	-	305,240	-	-	535,643
Financial liabilities						
Non-interest bearing instruments (1)	-	263,226	-	-	-	263,226
Non-convertible sukuk (note 12)	-	-	42,593	2,794,320	-	2,836,913
Variable interest rate instruments (note 13)	6,254	13,431	422,710	2,362,027	-	2,804,422
Total	6,254	276,657	465,303	5,156,347	-	5,904,561

24 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 financial statements approximate their fair values.

	As at 31 December 2017		*As at 31 December 2016*		*As at 31 December 2015*	
	Gross carrying amount AED'000	***Fair value AED'000***	*Gross carrying amount AED'000*	*Fair value AED'000*	*Gross carrying amount AED'000*	*Fair value AED'000*
Financial liabilities at amortised cost						
Non-convertible sukuk (note 12)	**2,762,570**	**2,800,722**	2,759,172	2,842,380	2,755,388	2,841,223

25 SEGMENT INFORMATION

25.1 Business segments

Segment information about the continuing operations for the year ended 31 December 2017 is presented below:

	Investment properties AED'000	*Hospitality AED'000*	*Total AED'000*
Revenue and management fee excluding service charges	**1,288,767**	**479,840**	**1,768,607**
Revenue from service charges	**110,071**	**-**	**110,071**
Gross revenue	**1,398,838**	**479,840**	**1,878,678**
Cost of revenue excluding service charges	**(165,117)**	**(380,429)**	**(545,546)**
Service charge expenses	**(110,071)**	**-**	**(110,071)**
Gross profit	**1,123,650**	**99,411**	**1,223,061**
Depreciation and amortisation	**(603)**	**(113,375)**	**(113,978)**
Provisions, impairments and write downs, net	**(9,935)**	**(32,900)**	**(42,835)**
Fair value loss on investment properties	**(456,193)**	**-**	**(456,193)**
Gain on disposal of investment properties	**3,835**	**-**	**3,835**
Finance income	**10,062**	**-**	**10,062**
Segment profit/ (loss)	**670,816**	**(46,864)**	**623,952**
Selling and marketing expenses			**(8,846)**
General and administrative expenses			**(70,928)**
Depreciation and amortisation			**(7,036)**
Finance costs			**(218,285)**
Profit for the year			**318,857**

25 SEGMENT INFORMATION continued

25.1 Business segments continued

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

	Investment properties AED'000	*Hospitality AED'000*	*Total AED'000*
Revenue and management fee excluding service charges	1,329,589	512,120	1,841,709
Revenue from service charges	117,035	-	117,035
Gross revenue	1,446,624	512,120	1,958,744
Cost of revenue excluding service charges	(159,762)	(404,742)	(564,504)
Service charge expenses	(117,035)	-	(117,035)
Gross profit	1,169,827	107,378	1,277,205
Depreciation and amortisation	(893)	(114,932)	(115,825)
Provisions, impairments and write downs, net	1,450	(32,964)	(31,514)
Fair value loss on investment properties	(127,072)	-	(127,072)
Gain on disposal of investment properties	14,409	-	14,409
Segment profit/ (loss)	1,057,721	(40,518)	1,017,203
Selling and marketing expenses			(9,195)
General and administrative expenses			(66,004)
Depreciation and amortisation			(7,036)
Finance costs			(208,842)
Profit for the year			726,126

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

	Investment properties AED'000	*Hospitality AED'000*	*Total AED'000*
Revenue and management fee excluding service charges	1,228,469	603,498	1,831,967
Revenue from service charges	111,107	-	111,107
Gross revenue	1,339,576	603,498	1,943,074
Cost of revenue excluding service charges	(185,497)	(438,165)	(623,662)
Service charge expenses	(111,107)	-	(111,107)
Gross profit	1,042,972	165,333	1,208,305
Depreciation and amortisation	(1,887)	(117,960)	(119,847)
Provisions, impairments and write downs, net	(3,284)	(141,116)	(144,400)
Fair value gain on investment properties	1,168,023	-	1,168,023
Gain on disposal of investment properties	32,376	-	32,376
Segment profit/ (loss)	2,238,200	(93,743)	2,144,457
Selling and marketing expenses			(6,499)
General and administrative expenses			(63,795)
Depreciation expenses			(7,036)
Finance costs			(216,638)
Profit for the year			1,850,489

25 SEGMENT INFORMATION continued

25.1 Business segments continued

The segment assets and liabilities and capital and project expenditure are as follows:

	Investment properties AED'000	*Hospitality AED'000*	*Unallocated AED'000*	*Total AED'000*
As at 31 December 2017				
Assets	**14,310,953**	**2,347,554**	**71,469**	**16,729,976**
Liabilities	**998,279**	**136,217**	**5,404,098**	**6,538,594**
For the year ended 31 December 2017				
Capital expenditures	**23,590**	**14,165**	**-**	**37,755**
Project expenditures	**901,730**	**-**	**-**	**901,730**
As at 31 December 2016				
Assets	13,909,486	2,463,052	78,505	16,451,043
Liabilities	1,007,889	130,313	5,009,430	6,147,632
For the year ended 31 December 2016				
Capital expenditures	13,174	10,471	-	23,645
Project expenditures	89,942	-	-	89,942
As at 31 December 2015				
Assets	13,942,188	2,586,752	85,541	16,614,481
Liabilities	994,329	157,544	5,392,351	6,544,224
For the year ended 31 December 2015				
Capital expenditures	14,069	30,725	-	44,794
Project expenditures	336,977	-	-	336,977

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

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing expenses 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. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings and non-convertible bonds and other financial liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

25.2 Geographical segments

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

26 EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting date, on 29 May 2018, the Business was established as a limited liability company under the name of "Aldar Investment Properties LLC" in accordance with the provisions of UAE Federal Law No. 2 of 2015.

Subsequent to the period / year end, the process of transfer of legal title of all properties to AIP has commenced. As at the date of these financial statements there remain a number of properties for which the legal formalities for transfer are not yet completed.

27 APPROVAL OF CARVE OUT FINANCIAL STATEMENTS

The carve out financial statements were approved and authorised for issue on 11 September 2018 by the Chief Executive Officer and the Chief Financial Officer of the Parent on behalf of the Board of Directors.

TRUSTEE

Aldar Sukuk (No. 2) Ltd.
c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman KY1-1102
Cayman Islands

OBLIGOR

Aldar Investment Properties LLC
P.O. Box 51133
Abu Dhabi
United Arab Emirates

JOINT GLOBAL CO-ORDINATORS

Dubai Islamic Bank PJSC
P.O. Box 1080
Dubai
United Arab Emirates

First Abu Dhabi Bank PJSC
FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

JOINT LEAD MANAGERS

Abu Dhabi Commercial Bank PJSC
P.O. Box 939
Abu Dhabi
United Arab Emirates

Abu Dhabi Islamic Bank PJSC
P.O. Box 313
Abu Dhabi
United Arab Emirates

Dubai Islamic Bank PJSC
P.O. Box 1080
Dubai
United Arab Emirates

Emirates NBD Bank PJSC
P.O. Box 777
Dubai
United Arab Emirates

First Abu Dhabi Bank PJSC
FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Sharjah Islamic Bank PJSC
P.O. Box 4
Sharjah
United Arab Emirates

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

DELEGATE

Citibank N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

AUDITORS
to the Obligor

Deloitte & Touche (M.E.)
Level 11
Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

LEGAL ADVISERS

To the Obligor
as to English law and UAE law

Allen & Overy LLP
11th Floor
Burj Daman Building
Happiness Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

To the Trustee
as to Cayman Islands law

Maples and Calder (Dubai) LLP
Level 14, Burj Daman
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

To the Joint Lead Managers
as to English law and UAE law

Clifford Chance LLP
Level 15, Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai
United Arab Emirates

To the Delegate
as to English law

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland