Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Emaar Properties PJSC and its Subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2015

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DIRECTORS' REPORT

The Board of Directors of Emaar Properties PJSC (the "Company") and its Subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2015 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2015.

Principal activities

The principal activities of the Group during the year ended 31 December 2015 were property investment, development and development management, shopping malls and retail, hospitality, property management and utility services, and investment in providers of financial services.

Financial results

The Group has recorded a net profit attributable to the owners of the Parent of AED 4,082 million for the year ended 31 December 2015. Further, the Group has elected to early adopt IFRS 15 *"Revenue from contracts with customers"* with effect from 1 January 2015 as the Group considers it better reflects the performance of its real estate business. The Group has opted for the modified retrospective application of IFRS 15; accordingly, the opening retained earnings attributable to the owners of the Parent has been increased by AED 2,338 million (also refer to note 2.3).

In accordance with the Articles of Association of the Company and UAE Federal Law No. (2) of 2015, an appropriation of AED 642 million is made to a general reserve from the distributable profit of AED 4,082 million as well as adjustment to the opening retained earnings of AED 2,338 million as explained above.

The transfer to statutory reserve has been suspended as the reserve has reached 50% of the paid up share capital.

The Board of Directors of the Company has proposed a cash dividend of 15%, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The balance of the distributable profit after considering appropriation to general reserve and proposed dividend (subject to approval of the shareholders at the Annual General Meeting) will be transferred to retained earnings.

Total shareholders' funds as at 31 December 2015 amount to AED 38,114 million prior to proposed dividend.

Outlook for 2016

Positive performance of Dubai's economy with the core sectors of retail, hospitality, tourism and aviation setting impressive milestones in 2015 has demonstrated the resilience of Dubai. With acceleration of business activities to the run up for EXPO 2020, Dubai will continue to be the center of trade and excellence. The Dubai Mall continuing to be the world's most-visited retail destination.

DIRECTORS' REPORT (continued)

Outlook for 2016 (continued)

The Group is committed to support the goals of Dubai Plan 2021 by expanding our flagship Downtown Dubai, which will see the opening of Dubai Opera this year, and our joint venture mega-developments such as Dubai Creek Harbour and Dubai Hills Estate, will further contribute to the smart and sustainable urban infrastructure of the city. The city's positive growth will continue to energise the Group's operations across all business sectors in the coming years.

Our diversified development approach and the emphasis we place on world-class project management enable us to address market challenges efficiently. Through resource use optimization and by focusing on maximizing efficiency across all our operations, we will continue to build on our growth during 2016.

Directors

H.E. Mohamed Ali Alabbar	(Chairman)
Mr. Hussain Ahmad Al Qemzi	(Vice Chairman)
Mr. Ahmed Jamal Jawa	(Director)
Mr. Jamal Majed Theniyah	(Director)
Mr. Ahmad Thani Al Matrooshi	(Director)
Mr. Marwan Abedin	(Director)
Mr. Jamal Al Marri	(Director)
Mr. Arif Obeid Al Dehail	(Director)
Mr. Abdulrahman Hareb Al Hareb	(Director)
Mr. Abdulla Saeed Belyoahah	(Director)

Auditors

Ernst and Young were appointed as external auditors of the Group for the year ended 31 December 2015. The Board of Directors has recommended Ernst and Young as the auditors for 2016 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

H.E. Mohamed Ali Alabbar
Chairman
Dubai, United Arab Emirates
18 March 2016

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Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC AND ITS SUBSIDIARIES

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Emaar Properties PJSC** (the "Company") **and its Subsidiaries** (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the articles of association of the Company and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC AND ITS SUBSIDIARIES (continued)

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 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 articles of association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2015 are disclosed in note 12 to the consolidated financial statements;

vi) notes 10, 13, 14 and 30 reflects material related party transactions and the terms under which they were conducted;

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

viii) note 5 reflects the social contributions made during the year.

Ernst & Young

Signed by
Anthony O'Sullivan
Partner
Registration No. 687

18 March 2016

Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
		(US$ 1.00 = AED 3.673)	
Revenue	4	**13,660,536**	9,930,044
Cost of revenue	4	**(6,397,612)**	(3,989,316)
GROSS PROFIT		**7,262,924**	5,940,728
Other operating income		**320,595**	302,757
Other operating expenses		**(160,560)**	(170,787)
Selling, general and administrative expenses	5	**(2,878,562)**	(2,586,613)
Finance income	6	**432,319**	478,392
Finance costs		**(477,563)**	(508,908)
Discounting of long term loan to an associate	13	**-**	(27,569)
Other income		**148,672**	383,174
Share of results of associates and joint ventures	14	**188,790**	(87,497)
Impairment of loan to an associate	13	**-**	(29,487)
Write off of assets	15	**(301,272)**	-
PROFIT BEFORE TAX		**4,535,343**	3,694,190
Income tax credit / (expense)	7	**53,950**	(7,760)
PROFIT FOR THE YEAR		**4,589,293**	3,686,430
ATTRIBUTABLE TO:			
Owners of the parent		**4,082,165**	3,293,205
Non-controlling interests		**507,128**	393,225
		4,589,293	3,686,430
Earnings per share attributable to the owners of the parent:			
- basic and diluted earnings per share (AED)	26	**0.57**	0.48

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	(US$ 1.00 = AED 3.673)	
	2015 ***AED'000***	*2014* *AED'000*
Profit for the year	**4,589,293**	3,686,430
Other comprehensive income / (loss) to be reclassified to income statement in subsequent periods:		
(Decrease) / increase in hedging reserve	**(31,420)**	47,816
Decrease in unrealised gains / (losses) reserve	**(26,840)**	(5,534)
Decrease in foreign currency translation reserve	**(461,403)**	(211,967)
Net other comprehensive income / (loss) to be reclassified to income statement in subsequent periods	**(519,663)**	(169,685)
Other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods:		
(Decrease) / increase in unrealised gains / (losses) reserve	**(201,108)**	552
Realised gain on fair value movement through other comprehensive income	**11,940**	4,566
Net other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods	**(189,168)**	5,118
Total comprehensive income for the year	**3,880,462**	3,521,863
ATTRIBUTABLE TO:		
Owners of the parent	**3,377,647**	3,150,912
Non-controlling interests	**502,815**	370,951
	3,880,462	3,521,863

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
		(US$ 1.00 = AED 3.673)	
ASSETS			
Bank balances and cash	8	**17,918,972**	16,017,745
Trade and unbilled receivables	9	**2,616,981**	1,126,558
Other assets, receivables, deposits and prepayments	10	**4,814,487**	3,392,747
Development properties	11	**21,356,561**	27,625,627
Investments in securities	12	**1,652,237**	931,599
Loans to associates and joint ventures	13	**3,022,175**	2,919,514
Investments in associates and joint ventures	14	**6,696,930**	5,590,791
Property, plant and equipment	15	**9,333,284**	8,213,675
Investment properties	16	**12,099,101**	8,314,934
Goodwill	17	**46,066**	46,066
TOTAL ASSETS		**79,556,794**	74,179,256
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	18	**9,350,397**	9,860,351
Advances from customers	19	**14,071,943**	15,482,005
Retentions payable	20	**803,292**	721,620
Interest-bearing loans and borrowings	21	**6,874,794**	5,959,484
Sukuk	22	**6,399,132**	6,391,638
Provision for employees' end-of-service benefits	23	**136,104**	133,584
TOTAL LIABILITIES		**37,635,662**	38,548,682
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**7,159,739**	7,159,739
Employees' performance share program		**(1,684)**	(1,684)
Reserves	25	**16,938,069**	16,407,081
Retained earnings		**14,018,215**	9,445,391
		38,114,339	33,010,527
Non-controlling interests		**3,806,793**	2,620,047
TOTAL EQUITY		**41,921,132**	35,630,574
TOTAL LIABILITIES AND EQUITY		**79,556,794**	74,179,256

The consolidated financial statements were authorised for issue on 18 March 2016 by the Board of Directors and signed on their behalf by:

Chairman

Director

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

(US$ 1.00 = AED 3.673)

	Attributable to the owners of the parent						
	Share capital AED'000	*Employees' performance share program AED'000*	*Reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 31 December 2014	7,159,739	(1,684)	16,407,081	9,445,391	33,010,527	2,620,047	35,630,574
Effect of changes in accounting policy (Note 2.3)	-	-	-	2,337,907	2,337,907	21,763	2,359,670
Balance at 1 January 2015	7,159,739	(1,684)	16,407,081	11,783,298	35,348,434	2,641,810	37,990,244
Profit for the year	-	-	-	4,082,165	4,082,165	507,128	4,589,293
Other comprehensive (loss) / income for the year	-	-	(716,458)	11,940	(704,518)	(4,313)	(708,831)
Total comprehensive income for the year	-	-	(716,458)	4,094,105	3,377,647	502,815	3,880,462
Dilution of investment in subsidiary (Note 2.1)	-	-	603,242	(72,982)	530,260	365,247	895,507
Acquisition of non-controlling interest	-	-	2,197	(47,189)	(44,992)	20,863	(24,129)
Contribution made during the year (Note 15)	-	-	-	-	-	276,058	276,058
Transfer to reserves (Note 25)	-	-	642,007	(642,007)	-	-	-
Dividend (Note 29)	-	-	-	(1,073,961)	(1,073,961)	-	(1,073,961)
Director's bonus (Note 30)	-	-	-	(23,049)	(23,049)	-	(23,049)
Balance at 31 December 2015	**7,159,739**	**(1,684)**	**16,938,069**	**14,018,215**	**38,114,339**	**3,806,793**	**41,921,132**

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

(US$ 1.00 = AED 3.673)

	Attributable to the owners of the parent							
	Share capital AED'000	*Employees' performance share program AED'000*	*Reserves AED'000*	*Convertible notes - equity component AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2014	6,109,939	(1,684)	14,876,113	35,498	13,522,353	34,542,219	190,773	34,732,992
Profit for the year	-	-	-	-	3,293,205	3,293,205	393,225	3,686,430
Other comprehensive (loss) / income for the year	-	-	(146,859)	-	4,566	(142,293)	(22,274)	(164,567)
Total comprehensive income for the year	-	-	(146,859)	-	3,297,771	3,150,912	370,951	3,521,863
Dilution of investment in subsidiary	-	-	175	-	3,581,652	3,581,827	2,058,173	5,640,000
Issue of bonus shares (Note 24)	650,885	-	-	-	(650,885)	-	-	-
Transfer to reserves (Note 25)	-	-	329,321	-	(329,321)	-	-	-
Dividend (Note 29)	-	-	-	-	(9,976,328)	(9,976,328)	-	(9,976,328)
Conversion of convertible notes (Notes 24)	398,915	-	1,348,331	(35,498)	149	1,711,897	-	1,711,897
Movement in non-controlling interests (net)	-	-	-	-	-	-	150	150
Balance at 31 December 2014	7,159,739	(1,684)	16,407,081	-	9,445,391	33,010,527	2,620,047	35,630,574

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
		(US$ 1.00 = AED 3.673)	
Cash flows from operating activities			
Profit before tax		**4,535,343**	3,694,190
Adjustments for:			
Share of results of associates and joint ventures	14	**(188,790)**	87,497
Depreciation	5	**901,011**	855,276
Provision for end-of-service benefits	23	**2,520**	43,895
(Gain) / loss on disposal of property, plant and equipment		**(2,334)**	1,395
Loss on disposal of investment property		**9,792**	-
Finance costs		**477,563**	508,908
Discounting on long term loan to associate	13	**-**	27,569
Finance income	6	**(432,319)**	(478,392)
Impairment of assets/provision for doubtful debts / write-off	5	**36,894**	9,321
Write-off of assets	15	**301,272**	-
Impairment of loan to associate	13	**-**	29,487
Cash from operations before working capital changes:		**5,640,952**	4,779,146
Trade and unbilled receivables	9 & 2.3	**(870,076)**	(579,167)
Other assets, receivables, deposits and prepayments		**(1,153,390)**	(451,242)
Development properties	11	**78,007**	(1,927,492)
Advances from customers	19	**1,484,918**	5,718,598
Trade and other payables		**349,088**	160,311
Retentions payable	20	**81,672**	129,041
Income tax	7	**1,828**	1,057
Net cash flows from operating activities		**5,612,999**	7,830,252
Cash flows from investing activities			
Purchase of securities	12	**(931,116)**	(394,297)
Proceeds from disposal of securities		**21,310**	1,634,620
Proceeds from dilution of investment in Emaar Malls Group		**-**	5,800,000
Finance income received		**245,337**	348,460
Dividends received from associates and joint ventures	14	**113,844**	111,172
Additional investments in and loans to associates and joint ventures		**(5,503)**	210,789
Amounts incurred on investment properties	16	**(845,730)**	(628,497)
Purchase of property, plant and equipment	15	**(1,272,311)**	(754,736)
Proceeds from disposal of property, plant and equipment		**7,693**	4,873
Deposits maturing after three months (including deposits under lien)	8	**(690,138)**	(3,813,072)
Net cash flows (used in) / from investing activities		**(3,356,614)**	2,519,312
Cash flows from financing activities			
Dividend paid		**(2,378,328)**	(8,497,415)
Director's bonus		**(23,049)**	-
Proceeds from interest-bearing loans and borrowings	21	**1,588,353**	5,179,437
Repayment of interest-bearing loans and borrowings	21	**(680,292)**	(5,529,507)
Proceeds from issuance of sukuk	22	**-**	2,754,750
Proceeds from dilution of investment in a subsidiary	2.1	**932,920**	-
Finance costs paid		**(438,052)**	(604,735)
Buy back of convertible notes	24	**-**	(7,346)
Net cash flows used in financing activities		**(998,448)**	(6,704,816)
Increase in cash and cash equivalents		**1,257,937**	3,644,748
Net foreign exchange difference		**(46,848)**	(12,879)
Cash and cash equivalents at the beginning of the year		**7,670,753**	4,038,884
Cash and cash equivalents at the end of the year	8	**8,881,842**	7,670,753

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

1 DOMICILE AND ACTIVITIES

Emaar Properties Public Joint Stock Company (the "Company" or the "Parent") was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group (the "Group"). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates ("UAE"). The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment, development and development management, shopping malls and retail, hospitality, property management and utility services and investments in providers of financial services.

The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing existing Federal Law No. (8) of 1984 (as amended). The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 28 June 2016.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the United Arab Emirates laws.

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Certain comparative amounts have been reclassified to conform to the presentation used in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) as at 31 December 2015. Control is achieved where all the following criteria are met:

(a) the Company has power over an entity;
(b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
(c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

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

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

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

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

Share of comprehensive income/loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated income statement; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated income statement or retained earnings, as appropriate.

Details of the Company's significant subsidiaries as at 31 December 2015 are as follows:

Subsidiary	Place of incorporation	Principal activities	Percentage of beneficial interest
Emaar Hospitality Group LLC	UAE	Providing hospitality services	100.00%
Emaar Properties Gayrimenkul Gelistirme Anonim Sirketi	Republic of Turkey ("Turkey")	Property investment and development	100.00%
Emaar Libadiye Gayrimenkul Gelistirme A.S.	Republic of Turkey ("Turkey")	Property investment and development, development of retail, shopping malls and hospitality assets	100.00%
Emaar Entertainment LLC (formerly Emaar Retail LLC)	UAE	Leisure and entertainment activities	100.00%
Emaar Hotels & Resorts Group	UAE	Providing hospitality services	100.00%
Manarat Al Manzil Real Estate Investment Limited (LLC)	Kingdom of Saudi Arabia ("KSA")	Property investment and development	92.20%
Emaar Misr for Development SAE	Arab Republic of Egypt ("Egypt")	Property investment and development	88.96%
Emaar Malls Group PJSC	UAE	Retail development and management of shopping malls	84.63%
Emaar Middle East LLC	Kingdom of Saudi Arabia ("KSA")	Property investment and development	61.00%
Emaar IGO S.A.	Syrian Arab Republic ("Syria")	Property investment and development	60.00%
Dubai Hills Estate LLC	UAE	Property investment and development	50.00%

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

On 28 June 2015, Emaar Misr for Development S.A.E. ("Emaar Misr"), a subsidiary of the Group incorporated and operating in Egypt, issued an additional 600,000,000 ordinary shares (face value of EGP 1 per share) through a primary offering of shares in an Initial Public Offering ("IPO") which represents 12.99% of Emaar Misr's share capital after the IPO and raised EGP 2,280,000 thousands (AED 1,097,553 thousands). The excess of proceeds received over face value (net of direct transaction costs) on issuance of the additional shares by Emaar Misr amounting to EGP 1,594,568 thousands (AED 760,585 thousands) has been accounted for as share premium. Subsequent to the IPO, the shares of Emaar Misr were listed on The Egyptian Exchange ("EGX") and trading of shares on EGX commenced on 5 July 2015.

Subsequent to the listing of shares on EGX, due to volatility in the share market, the management of Emaar Misr, in accordance with laws and regulations, agreed to buyback certain shares to assist in stabilising the share price through utilisation of the stabilisation fund created during the IPO. Accordingly, on 4 August 2015, Emaar Misr bought back 90,000,000 shares representing 15% of the shares issued during the IPO and refunded EGP 342,000 thousands (AED 164,633 thousands) to the applicants. After the completion of buyback of the shares, the effective non-controlling interest for the Group in Emaar Misr is 11.04%.

Associated companies and joint ventures

Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group's investment in associated companies and joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associated companies and joint ventures are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associated and joint venture companies, less any impairment in value.

The consolidated income statement reflects the Group's share of results of its associates and joint ventures. Unrealised profits and losses resulting from transactions between the Group and associated companies and its joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures.

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objectives. The financial information of special purpose entities is included in the Group's consolidated financial statements where the substance of the relationship is that the Group controls the special purpose entity and hence, they are accounted for as subsidiaries.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the consolidated financial statements of the Group are discussed below:

Judgments

Revenue recognition for leases

Lease income from operating leases is recognised in the consolidated income statement in accordance with the terms of the lease contracts with the tenants over the lease term on a systematic basis as management is of the opinion that this method is more representative of the time pattern in which benefits are derived from the leased asset.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Revenue recognition for turnover rent

The Group recognises income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

Classification of investment properties

The Group determines whether a property qualifies as investment property in accordance with IAS 40 *Investment Property*. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. The Group has determined that hotels and serviced apartment buildings owned by the Group are to be classified as part of property, plant and equipment rather than investment properties since the Group also operates these assets.

Transfer of real estate assets from property, plant and equipment to development properties

The Group sells real estate assets in its ordinary course of business. When the real estate assets which were previously classified as property, plant and equipment are identified for sale in the ordinary course of business, then the assets are transferred to development properties at their carrying value at the date of identification and become held for sale. Sale proceeds from such assets are recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Operating lease commitments - Group as lessor

The Group has entered into commercial and retail property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments*.

Consolidation of subsidiaries

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Estimations and assumptions

Valuation of investment properties

The Group hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the consolidated financial statements.

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. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Taxes

The Group is subject to income and capital gains taxes in certain jurisdictions. Significant judgment is required to determine the total provision for current and deferred taxes. The Group established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Also refer Note 2.3 for the judgment, estimations and assumptions adopted by the Group on the early adoption of IFRS 15 *Revenue from Contracts with Customers*.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. Other than the early adoption of IFRS 15 as mentioned below, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the consolidated financial statements of the Group.

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. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition,
- A performance target must be met while the counterparty is rendering service,
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group,
- A performance condition may be a market or non-market condition,
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 *Business Combinations*
The amendment is applied prospectively and 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 IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in these consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of his decision making.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 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. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current year.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and 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. This amendment is not relevant for the Group as it does not receive any management services from other entities.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 *Business Combinations*
The amendment is applied prospectively and 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.

As the Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and 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 IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

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

The Group has reviewed the impact of IFRS 15 in each of the jurisdictions in which it operates. Accordingly, the Group has elected to early adopt IFRS 15 with effect from 1 January 2015, as the Group considers it better reflects the real estate business performance of the Group. The Group has opted for modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Accordingly, the standard has been applied to the year ended 31 December 2015 only (i.e. the initial application period). Modified retrospective application also requires the recognition of the cumulative impact of adoption on all contracts not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at 1 January 2015. The details of adjustments to opening retained earnings and other account balances are detailed below:

Consolidated statement of financial position

	31 December 2014 AED'000 (Audited)	*Adjustments / reclassification AED'000*	*1 January 2015 AED'000*
Assets			
Trade and unbilled receivables	1,126,558	620,347	1,746,905
Other assets, receivables, deposits and prepayments	3,392,747	163,771	3,556,518
Development properties	27,625,627	(2,400,881)	25,224,746
Investment in associates and joint ventures	5,590,791	1,088,812	6,679,603
Liabilities			
Trade and other payables	9,860,351	7,359	9,867,710
Advances from customers	15,482,005	(2,894,980)	12,587,025
Equity			
Retained earnings	9,445,391	2,337,907	11,783,298
Non-controlling interests	2,620,047	21,763	2,641,810

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) New standards, interpretations and amendments adopted by the Group (continued)

IFRS 15 *Revenue from contracts with customers (continued)*
The table below represents impact on revenue, cost of revenue and net profit for the year had the earlier policy for revenue recognition been continued during the year:

Consolidated income statement

	As per IFRS 15 AED'000	*As per the old policy AED'000*	*Impact due to change AED'000*
For the year ended 31 December 2015:			
Revenue	13,660,536	10,215,999	(3,444,537)
Cost of revenue	(6,397,612)	(4,216,118)	2,181,494
Net profit for the year attributable to the owners of the parent	4,082,165	2,576,471	(1,505,694)

The application of the new accounting policy has required management to make the following judgments:

Satisfaction of performance obligations
The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstance the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

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

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

Transfer of control in contracts with customers
In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

Allocation of transaction price to performance obligation in contracts with customers
The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and 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. In previous years, the Group had relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. This amendment does not impact the accounting policy of the Group.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Standards, amendments and interpretations in issue but not effective:

At the date of authorisation of these consolidated financial statements, other than the Standards and Interpretations adopted by the Group (as described above) the following Standards and Interpretations were in issue but not yet effective.

IAS 1	Amendments to IAS 1 Disclosure Initiative (effective for annual periods beginning 1 January 2016);
IAS 16	Amendments to IAS 16 Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation) (effective prospectively for annual periods beginning 1 January 2016);
IAS 27	Equity Method in Separate Financial Statements (effective for annual periods beginning 1 January 2016);
IAS 38	Amendments to IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) (effective prospectively for annual periods beginning 1 January 2016);
IAS 41	Amendments to IAS 41 (Agriculture: Bearer Plants) (effective for annual periods beginning 1 January 2016);
IFRS10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception: (Amendments to IFRS 10, IFRS 12 and IAS 28) - These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements (effective for annual periods beginning 1 January 2016);
IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture (effective prospectively for annual periods beginning 1 January 2016);
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests (effective for annual periods beginning on or after 1 January 2016);
IFRS 14	Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016);
IFRS 16	Leases: Lessees required to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term (effective for annual periods beginning on or after 1 January 2019); and

Annual Improvements 2012-2014 Cycle (1 January 2016), includes:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

The management anticipates that all of the above Standards and Interpretations will be adopted by the Group to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the consolidated financial statements of the Group in the period of their initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 the 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 the 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 will allocate 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 entity satisfies a performance obligation.

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

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

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 asset based 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. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Lease to buy scheme
Sales under the lease to buy scheme are accounted for as follows:
- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount payable by the lessee at the time of exercising the option to acquire the property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income from lease of investment property

Rental income from investment properties is recognised, net of discount, in accordance with the terms of the lease contracts over the lease term on a systematic basis.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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.

All other borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

Income tax

Taxation is provided in accordance with the relevant fiscal regulations of the countries in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustments to the tax payable in respect of prior years.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised directly in other comprehensive income or equity and not in the consolidated income statement.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose at the reporting date.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted as at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or liability is settled, based on tax rates that have been enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Leasehold improvements	2 - 15 years
Sales centers (included in land and buildings)	1 - 5 years
Buildings	10 - 45 years
Computers and office equipment	2 - 5 years
Plant, machinery and heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years
Leisure, entertainment and other assets	2 - 25 years

No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Investment properties
Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Furniture, fixtures and others	4 - 10 years
Plant and equipment	3 - 10 years

No depreciation is charged on land and capital work-in-progress.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Properties are transferred from investment properties to development properties when and only when, there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

Development properties
Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognised in the consolidated income statement on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

Inventories
Inventories represent consumables and other goods relating to hospitality and retail business segments of the Group. Inventories are stated at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items.

Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associates and joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)
The consolidated income statement reflects the Group's share of the results of operations of its associates and joint venture after tax and non-controlling in the subsidiaries of the associate. Where there has been a change recognised directly in the other comprehensive income or equity of an associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of comprehensive income or the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

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

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

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement. When the remaining investment in joint venture constitutes significant influence, it is accounted for as an investment in associate.

Derivative financial instruments
The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the consolidated income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship. The Group designates derivatives as hedges of interest rate risk and foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting
The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the consolidated statement of comprehensive income relating to the hedged item.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated statement of comprehensive income 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 non-financial asset or non-financial liability.

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

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through other comprehensive income or profit or loss, which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: *Financial Instruments: Presentation*) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Equity investments

All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 - Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and unbilled receivables

Trade and unbilled receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When trade and unbilled receivables are uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the consolidated income statement. For financial assets designated at fair value through other comprehensive income any foreign exchange component is recognised in the consolidated statement of comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the consolidated income statement.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement,
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - 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 right 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 the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets(continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income on such financial assets continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit'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 consolidated income statement.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade and other payables

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

Loans and borrowings

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Sukuk

The sukuk are stated at amortised cost using the effective profit rate method. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated income statement.

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.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement in accordance with the terms of the lease contracts over the lease term based on a systematic basis as this method is more representative of the time pattern in which use of benefit are derived from the leased assets.

Group as a lessor

The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognised in the consolidated income statement in accordance with the terms of the lease contracts over the lease term on a systematic basis as this method is more representative of the time pattern in which use of benefit are derived from the leased assets.

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, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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 at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

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

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

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.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions
Employees (including senior executives) of the Group also receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Under the Company's policy, awards, which represent the right to purchase the Company's ordinary shares at par, are allocated to eligible employees (including executive directors) of the Company.

Foreign currency translations
The consolidated financial statements are presented in AED which is the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than AED are translated into AED at the rate of exchange ruling at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The differences arising on the translation are taken directly to the consolidated statement of comprehensive income. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that entity is recognised in the consolidated income statement.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Fair value measurement
The Group measures financial instruments, such as investment in securities and hedges, at fair value at each reporting date.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Fair value of interest rate swap contract is determined by reference to market value for similar instruments.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Business segments
For management purposes, the Group is organised into three major segments, namely, real estate (develop and sell condominiums, villas, commercial units and plots of land), leasing and related activities (develop, lease and manage malls, retail, commercial and residential spaces) and hospitality (develop, own and/or manage hotels, serviced apartments and leisure activities). Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. These businesses are property management and utility services and investments in providers of financial services.

Revenue from sources other than property sales, leasing and related activities and hospitality are included in other operating income.

Geographic segments
The Group is currently operating in number of countries outside the UAE and is engaged in development of several projects which will have significant impact in future years.

The domestic segment includes business activities and operations in the UAE and the international segment includes business activities and operations outside the UAE.

3 SEGMENT INFORMATION (continued)

Business segments

The following tables include revenue, profit, and certain assets and liabilities information regarding business segments for the years ended 31 December 2015 and 2014.

	Real estate AED'000	*Leasing and related activities AED'000*	*Hospitality AED'000*	*Others AED'000*	*Total AED'000*
2015:					
Revenue					
Revenue from external customers					
- Over a period of time	**6,508,705**	**-**	**-**	**-**	**6,508,705**
- Single point in time / leasing revenue	**1,363,980**	**4,111,160**	**1,676,691**	**-**	**7,151,831**
	7,872,685	**4,111,160**	**1,676,691**	**-**	**13,660,536**
Results					
Contribution for the year	**2,514,767**	**2,478,067**	**13,647**	**173,724**	**5,180,205**
Unallocated selling, general and administrative expenses					**(700,598)**
Unallocated finance income, net					**55,736**
Profit before tax for the year					**4,535,343**
Assets and liabilities:					
Segment assets	**53,059,250**	**16,843,336**	**6,238,309**	**3,415,899**	**79,556,794**
Segment liabilities	**27,475,431**	**8,957,077**	**686,145**	**517,009**	**37,635,662**
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	**87,667**	**931,975**	**1,367,847**	**6,610**	**2,394,099**
Depreciation (property, plant and equipment and investment properties)	**140,419**	**456,593**	**243,940**	**60,059**	**901,011**

	Real estate AED'000	*Leasing and related activities AED'000*	*Hospitality AED'000*	*Others AED'000*	*Total AED'000*
2014:					
Revenue					
Revenue from external customers	4,563,312	3,686,035	1,680,697	-	9,930,044
Results					
Contribution for the year	1,672,607	2,155,562	379,036	53,072	4,260,277
Unallocated selling, general and administrative expenses					(705,722)
Unallocated finance income, net					139,635
Profit before tax for the year					3,694,190

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Real estate AED'000	Leasing and related activities AED'000	Hospitality AED'000	Others AED'000	Total AED'000
2014:					
Assets and liabilities					
Segment assets	54,577,287	11,317,353	4,824,255	3,460,361	74,179,256
Segment liabilities	28,714,281	8,708,161	633,088	493,152	38,548,682
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	170,052	837,546	343,722	31,913	1,383,233
Depreciation (property, plant and equipment and investment properties)	146,699	429,784	219,157	59,636	855,276

Geographic segments
The following tables include revenue and certain asset information regarding geographic segments for the years ended 31 December 2015 and 2014.

	Domestic AED'000	**International AED'000**	**Total AED'000**
2015:			
Revenue			
Revenue from external customers			
- Over period of time	**4,027,710**	**2,480,995**	**6,508,705**
- Single point in time / leasing revenue	**6,853,299**	**298,532**	**7,151,831**
	10,881,009	**2,779,527**	**13,660,536**
Assets			
Segment assets	**50,155,862**	**22,704,002**	**72,859,864**
Investments in associates and joint ventures	**1,831,282**	**4,865,648**	**6,696,930**
Total assets	**51,987,144**	**27,569,650**	**79,556,794**
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	**2,348,399**	**45,700**	**2,394,099**

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

	Domestic AED'000	*International AED'000*	*Total AED'000*
2014:			
Revenue			
Revenue from external customers	7,899,215	2,030,829	9,930,044
Assets			
Segment assets	47,308,924	21,279,541	68,588,465
Investments in associates and joint ventures	1,582,771	4,008,020	5,590,791
Total assets	48,891,695	25,287,561	74,179,256
Other Segment Information			
Capital expenditure			
(property, plant and equipment and investment properties)	1,349,914	33,319	1,383,233

4 REVENUE AND COST OF REVENUE

	2015 AED'000	*2014 AED'000*
Revenue		
Revenue from property sales		
Sale of condominiums	**3,562,843**	1,273,937
Sale of villas	**2,658,089**	1,825,306
Sale of commercial units, plots of land and others	**1,651,753**	1,464,069
Revenue from hospitality	**1,676,691**	1,680,697
Rental income from leased properties and related income	**4,111,160**	3,686,035
	13,660,536	9,930,044
Cost of revenue		
Cost of revenue from property sales		
Cost of condominiums	**2,588,311**	770,127
Cost of villas	**1,670,202**	1,220,757
Cost of commercial units, plots of land and others	**484,131**	368,762
Operating cost of hospitality	**992,696**	951,096
Operating cost of leasing and related activities	**662,272**	678,574
	6,397,612	3,989,316

Cost of revenue includes AED 70,823 thousands (2014: AED 28,992 thousands) of costs incurred on certain projects of the Group which are discontinued.

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2015 *AED'000*	*2014* *AED'000*
Payroll and related expenses	**620,740**	532,839
Depreciation of property, plant and equipment (Note 15)	**599,379**	579,530
Sales and marketing expenses	**557,365**	654,982
Depreciation of investment properties (Note 16)	**301,632**	275,746
Property management expenses	**273,891**	276,282
Donations	**107,102**	9,938
Rental expenses	**45,099**	52,052
Provision for doubtful debts/write off, net	**36,894**	9,321
Land registration fees	**19,004**	10,287
Pre-operating expenses	**3,143**	13,328
Other expenses	**314,313**	172,308
	2,878,562	2,586,613

6 FINANCE INCOME

	2015 *AED'000*	*2014* *AED'000*
Finance income on fixed deposits with banks	**151,750**	88,584
Other finance income	**280,569**	389,808
	432,319	478,392

7 INCOME TAX

	2015 *AED'000*	*2014* *AED'000*
Consolidated income statement		
Current income tax expense	**(11,000)**	(9,667)
Deferred income tax	**64,950**	1,907
	53,950	(7,760)
Consolidated statement of financial position		
Income tax payable, balance at the beginning of the year	**16,804**	15,747
Effect of changes in accounting policy (Note 2.3)	**35,789**	-
Balance at 1 January 2015	**52,593**	15,747
Charge for the year	**11,000**	9,667
Paid during the year	**(9,172)**	(8,610)
Income tax payable, balance at the end of the year (Note 18)	**54,421**	16,804

7 INCOME TAX (continued)

The tax expense relates to the tax payable on the results of the subsidiaries, as adjusted in accordance with the taxation laws and regulations of the countries in which the subsidiaries operate. The relationship between the tax expense and the accounting profit can be explained as follows:

	2015 AED'000	2014 AED'000
Profit before tax	**4,535,343**	3,694,190
Profit not subject to tax, net	**(3,816,425)**	(3,723,165)
Accounting profit subject to income tax, net	**718,918**	(28,975)
Current income tax expense	**(11,000)**	(9,667)
UAE applicable income tax rate	**0.00%**	0.00%
Effective tax rate as percentage of accounting profit	**1.53%**	33.36%

The income tax charge is applicable on the Group's operations in the United States of America, Turkey, Egypt, Morocco, India, Pakistan, Lebanon, Kingdom of Saudi Arabia, the United Kingdom, Syria and Italy.

8 BANK BALANCES AND CASH

	2015 AED'000	2014 AED'000
Cash in hand	**7,217**	7,206
Current and call bank deposit accounts	**7,882,211**	7,119,429
Fixed deposits maturing within three months	**992,414**	544,118
Cash and cash equivalents	**8,881,842**	7,670,753
Deposits under lien (Note 21)	**27,208**	23,550
Fixed deposits maturing after three months	**9,009,922**	8,323,442
	17,918,972	16,017,745

	2015 AED'000	2014 AED'000
Bank balances and cash located:		
Within UAE	**16,430,648**	15,056,994
Outside UAE	**1,488,324**	960,751
	17,918,972	16,017,745

8 BANK BALANCES AND CASH (continued)

	2015 *AED'000*	*2014* *AED'000*
Bank balances and cash are denominated in the following currencies:		
United Arab Emirates Dirham (AED)	**16,430,648**	15,056,994
United States Dollar (USD)	**241,959**	258,624
Saudi Riyal (SAR)	**220,818**	211,335
Egyptian Pound (EGP)	**961,003**	417,433
Moroccan Dirham (MAD)	**42,894**	20,221
Other currencies	**21,650**	53,138
	17,918,972	16,017,745

Cash at banks earn interest at floating rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits maturing after three months earn interest at rates between 1.30% and 2.95% per annum (2014: 0.65% and 1.3% per annum).

Bank balances maintained in the UAE includes an amount of AED 16,791 thousands (2014: AED 21,605 thousands) committed for investments in a project in Syria.

The Company is required to maintain certain deposits/balances amounting to AED 9,432,428 thousands (2014: AED 8,827,178 thousands) with banks for unclaimed dividends and advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

9 TRADE AND UNBILLED RECEIVABLES

	2015 *AED'000*	*2014* *AED'000*
Trade receivables		
Amounts receivables within 12 months, net	**556,665**	310,706
Amounts receivables after 12 months, net	-	121,486
	556,665	432,192
Unbilled receivables		
Unbilled receivables within 12 months	**1,273,356**	493,692
Unbilled receivables after 12 months, net	**786,960**	200,674
	2,060,316	694,366
Total trade and unbilled receivables at year-end	**2,616,981**	1,126,558

The above trade receivables are net of AED 128,541 thousands (2014: AED 109,192 thousands) relating to provision for doubtful debts representing management's best estimate of doubtful trade receivables which are past due for more than 90 days. All other receivables are considered recoverable.

9 TRADE AND UNBILLED RECEIVABLES (continued)

Movement in the provision for doubtful debts during the year is as follows:

	2015 *AED'000*	*2014* *AED'000*
Balance at the beginning of the year	**109,192**	112,382
Provision / (reversal) made during the year, net	**24,831**	(2,486)
Provision written off during the year	**(5,482)**	(704)
Balance at the end of the year	**128,541**	109,192

At 31 December, the ageing analysis of net trade and unbilled receivables is as follows:

			Past due but not impaired			
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*Less than 30 days* *AED'000*	*Between 30 to 60 days* *AED'000*	*Between 60 to 90 days* *AED'000*	*More than 90 days* *AED'000*
2015	**2,616,981**	**2,060,316**	**137,746**	**63,028**	**118,408**	**237,483**
2014	1,126,558	795,105	152,030	48,244	10,776	120,403

Refer Note 31 (a) on credit risks of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

10 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 *AED'000*	*2014* *AED'000*
Advances to contractors and others	**1,332,865**	1,052,273
Prepayments (including prepaid lease rentals)	**1,209,654**	1,255,752
Recoverable from non-controlling interests (i)	**605,625**	71,556
Value added tax recoverable	**404,394**	330,652
Deferred sales commission (ii)	**243,290**	-
Receivables from Communities Owner Associations	**149,163**	70,677
Other income receivable	**134,647**	43,416
Inventory - Hospitality and Retail (also refer note 15)	**77,186**	90,644
Deferred income tax assets	**70,393**	39,493
Accrued interest	**66,786**	25,230
Deposits for acquisition of land	**36,703**	36,703
Other receivables and deposits	**483,781**	376,351
	4,814,487	3,392,747
Other assets, receivables, deposits and prepayments maturity profile:		
Amounts recoverable within 12 months	**2,860,501**	1,990,901
Amounts recoverable after 12 months	**1,953,986**	1,401,846
	4,814,487	3,392,747

(i) Recoverable from non-controlling interest includes an amount of AED 500 million receivable from the partner of a subsidiary of the Group, which carries interest at EIBOR plus 1.75% per annum and is receivable in 2020.

(ii) Subsequent to early adoption of IFRS 15, the Group has deferred the sales commission expense incurred to obtain or fulfil a contract with the customers and amortised it over the period of satisfying performance obligations where applicable.

11 DEVELOPMENT PROPERTIES

	2015 AED'000	*2014 AED'000*
Balance at the beginning of the year	**27,625,627**	25,866,716
Effect of changes in accounting policy (Note 2.3)	**(2,400,881)**	-
Balance at 1 January 2015	**25,224,746**	25,866,716
Add: cost incurred during the year	**4,664,637**	4,287,138
Less: cost transferred to cost of revenue during the year	**(4,742,644)**	(2,359,646)
Less: cost transferred to property, plant and equipment, net (Note 15)*	**(594,485)**	(122,500)
Less: cost transferred to investment properties, net (Note 16)*	**(3,195,693)**	(46,081)
Balance at the end of the year	**21,356,561**	27,625,627
Development properties located:		
Within UAE	**12,043,624**	13,840,754
Outside UAE	**9,312,937**	13,784,873
	21,356,561	27,625,627

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Common infrastructure cost is allocated to various projects and forms part of the estimated cost to complete a project in order to determine the cost attributable to revenue being recognised. The development span of some of the development properties is estimated to be over 10 years.

The valuation of most of the Group's development properties is carried out by independent professionally qualified valuers in accordance with RICS appraisals and valuation standards. Accordingly, the fair value of the development properties as at the reporting date is in excess of AED 61,868,179 thousands (2014: AED 71,811,173 thousands) compared to the carrying value of AED 21,356,561 thousands (2014: AED 27,625,627 thousands).

As at 31 December 2015, an amount of AED 100,313 thousands (2014: AED 250,751 thousands) was capitalised as cost of borrowings for the construction of development properties.

*The Group has transferred certain costs from development properties to investment properties and properties, plant and equipment based on the intended use of such developments (also refer Notes 15 & 16).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of its development properties by valuation technique:

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
2015	**61,868,179**	-	-	**61,868,179**
2014	71,811,173	-	-	71,811,173

Any significant movement in the assumptions used for the fair valuation of development properties such as discount rates, yield etc. would result in significantly lower / higher fair value of those assets.

12 INVESTMENTS IN SECURITIES

	2015	*2014*
	AED'000	*AED'000*
Financial assets at fair value through other comprehensive income (i)	**743,340**	931,599
Financial assets at amortised cost	**908,897**	-
	1,652,237	931,599
Investments in securities located:		
Within UAE	**686,045**	896,738
Outside UAE	**966,192**	34,861
	1,652,237	931,599

(i) Financial assets at fair value through other comprehensive income includes a contingent convertible instrument at fair value of AED 5,737 thousands (2014: AED 6,778 thousands) (refer Note 13 (i)).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets at fair value through other comprehensive income by valuation technique:

	Total	***Level 1***	***Level 2***	***Level 3***
	AED'000	***AED'000***	***AED'000***	***AED'000***
2015	**743,340**	**85,549**	**630,352**	**27,439**
2014	931,599	124,114	779,005	28,480

Valuations for Level 2 investments in securities have been derived by determining their redemption value which is generally net asset value per share of the investee companies.

There were no transfers made between Level 1 and Level 2 during the year.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

	2015	*2014*
	AED'000	*AED'000*
Balance at 1 January	**28,480**	21,702
(Redemption) / purchase, fair value at initial recognition	**(1,041)**	6,778
Balance at 31 December	**27,439**	28,480

Financial assets at fair value through other comprehensive income include fund investments managed by an external fund manager. Equity investments are in quoted, unquoted and index linked securities.

During the year, the Group has made additional investments in securities of AED 931,116 thousands.

13 LOANS TO ASSOCIATES AND JOINT VENTURES

	2015 *AED'000*	*2014* *AED'000*
Amlak Finance PJSC (i)	**108,782**	114,998
Emaar MGF Land Limited and its related parties (ii)	**2,731,228**	2,631,031
Golden Ace Pte Ltd (iii)	**175,312**	168,121
Other associates and joint ventures	**6,853**	5,364
	3,022,175	2,919,514

(i) During 2014, a restructuring arrangement had been agreed by existing depositors/financiers of Amlak Finance PJSC ("Amlak"), the Coordination Committee ("Committee") established to restructure the existing facility and Amlak. The restructuring arrangement was subsequently ratified by the shareholders of Amlak in their meeting held on 28 September 2014 and the final restructuring agreement was signed on 25 November 2014.

As per the terms of the restructuring agreement, during the year 2014, 20% of the principal amount (AED 47,749 thousand) was repaid by Amlak, 65% is restructured into a long term facility maturing in 12 years carrying a profit rate of 2% per annum and 15% is restructured into a 12 year contingent convertible instrument (CCI).

As the terms of new long term facility are substantially different from the terms of the original facility, the new facility is considered as a new debt under IFRS 9 "*Financial Instruments*" and was recognised at its fair value. The fair value of new debt at a discount rate of 5% per annum is AED 108,480 thousands (2014: AED 114,693 thousands). In 2014, the difference between carrying value and the fair value of the new long term facility has been charged to the consolidated income statement (AED 27,569 thousands). During the year, Amlak has made an early repayment of loan amounting to AED 7,040 thousands.

The CCI had been recorded as a composite financial instrument at fair value through other comprehensive income as per IFRS 9. The fair value of CCI at Amlak's discount rate of 15% per annum is AED 5,737 thousands (2014: AED 6,778 thousands) and is included under Financial assets through other comprehensive income (refer Note 12). In 2014, the difference between carrying value and the fair value of CCI has been charged to the consolidated income statement (AED 29,487 thousands).

The redemption value of CCI will be the current carrying value plus a predetermined conversion fee. Amlak has the discretion to redeem CCI using cash. As the CCI is redeemed, due to the fixed nature of the redemption, there will be a proportionate reduction in conversion fee. CCI carries a payment in kind ("PIK") of 1% per annum that will be accrued annually and will be paid at the end of the tenor. Also refer Note 14 (iii).

(ii) The amount due from Emaar MGF Land Limited ("EMGF") and its related parties include an amount of AED 1,965,716 thousands (2014: AED 1,865,030 thousands) which is secured against certain development properties of EMGF. The loans to EMGF and its related parties earns a return ranging from 7% to 15% per annum other than on Compulsory Convertible Debentures (refer Note 14 (ii)) (2014: compound return ranging from 7% to 15% per annum).

The loan amounting to AED 762,709 thousands (2014: AED 762,709 thousands) extended to related parties of EMGF is expected to be restructured into an equity investment in a project currently owned by EMGF.

(iii) The amount owed by Golden Ace Pte Ltd is unsecured and earned an average return ranging from 4% to 4.13% per annum (2014: average return ranging from 4% to 4.17% per annum). The other promoter of Golden Ace Pte Ltd has indemnified the Group for any non-recovery of amount advanced by the Group and the Group currently hold certain shares of the other promoter group held in EMGF as a security for such indemnification.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2015 *AED'000*	*2014* *AED'000*
Carrying value of investments in associates and joint ventures:		
Emaar, The Economic City (Saudi Joint Stock Company) - quoted (i)	**2,558,308**	2,204,125
Emaar MGF Land Limited (ii)	**2,105,278**	1,600,948
Amlak Finance PJSC - quoted (iii)	**751,962**	727,960
Emaar Bawadi LLC	**449,544**	445,686
Turner International Middle East Ltd	**338,965**	251,061
Emaar Industries and Investment (Pvt) JSC	**126,895**	127,681
Mirage Leisure and Development Inc.	**125,213**	-
Dead Sea Company for Tourist and Real Estate Investment	**123,598**	128,812
Others	**117,167**	104,518
	6,696,930	5,590,791

(i) The market value of the shares held in Emaar, The Economic City ("EEC") (quoted on the Saudi Stock Exchange - Tadawul) as at 31 December 2015 was AED 3,292,698 thousands (2014: AED 3,025,207 thousands).

(ii) During 2012, the Group had invested an amount of USD 49,975 thousands (AED 183,560 thousands) into 5% Compulsory Convertible Debentures ("CCD") issued by EMGF. These CCDs can be converted into equity shares of EMGF after the expiry of six months from the date of allotment of the CCDs at the discretion of the Group. It is mandatory to convert these CCDs into equity shares on the date of issue of any draft red herring prospectus by EMGF, or on expiry of 10 years from the date of allotment if the above option of early conversion is not exercised.

(iii) Carrying value of investments in associates includes investment made by the Group in Amlak Finance PJSC. During 2014, a restructuring arrangement had been agreed by the existing depositors / financiers of Amlak Finance PJSC ("Amlak"), the Coordination Committee established to restructure the existing facilities and Amlak. This arrangement had been ratified by the Amlak's shareholders in their extraordinary general meeting held on 28 September 2014 and the final restructuring agreements was signed on 25 November 2014.

Subsequent to the restructuring and after obtaining approval from regulatory authorities, trading in Amlak's shares has resumed from 2 June 2015 on the Dubai Financial Market. The market value of the shares held by the Group in Amlak as at 31 December 2015 was AED 1,016,966 thousands.

The auditors have issued a qualified opinion on the consolidated financial statements of Amlak as of 31 December 2014 with respect to valuation of investment properties and advances for investment properties since fair value for the years 2009 to 2013 have not been provided to them to assess the impairment relating to prior periods.

The Group has the following ownership interest in its significant associates and joint ventures:

	Country of incorporation	*Ownership*	
		2015	*2014*
Emaar MGF Land Limited	India	**48.86%**	48.86%
Emaar,The Economic City (Saudi Joint Stock Company)	KSA	**30.59%**	30.59%
Amlak Finance PJSC	UAE	**48.08%**	48.08%
Emaar Industries and Investments (Pvt) JSC	UAE	**40.00%**	40.00%
Dead Sea Company for Tourist and Real Estate Investment	Jordan	**29.33%**	29.33%
Mirage Leisure and Development Inc.	BVI	**65.00%**	-
Emaar Bawadi LLC	UAE	**50.00%**	50.00%
Turner International Middle East Ltd	UAE	**56.00%**	56.00%

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

BUSINESS COMBINATION:

On 1 October 2015 (the acquisition date), the Group has acquired a 65% interest in the equity shares of Mirage Leisure and Development Inc. ("MLD"), a company registered and incorporated on 3 June 1997 in accordance with the laws of the British Virgin Islands ("BVI"). The principal business activity of the company is rendering development management services, primarily in the UAE. Based on the contractual arrangements, the Group has significant influence and not control, accordingly, the investment is accounted for using equity method of accounting.

The fair value of the identifiable assets and liabilities of MLD as at the date of acquisition were:

	1 October 2015 *AED'000*
Assets:	
Property,plant and equipment	**295**
Trade receivables	**65,983**
Other receivables	**112,963**
Due from related parties	**3,320**
Bank balances and cash	**34,926**
	217,487
Liabilities:	
Provision for employees' end of service benefits	**6,784**
Trade and other payables	**195,193**
Due to related parties	**264**
	202,241
Net assets	**15,246**
Emaar's share of net assets at acquisition (65%)	**9,910**
Goodwill arising on acquisition	**113,590**
Consideration	**123,500**

The consideration of AED 123,500 thousands has been fully settled in cash, subsequent to the reporting date.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table summarises the income statements of the Group's associates and joint ventures for the year ended 31 December 2015:

	Emaar, The Economic City (Saudi Joint Stock Company) - quoted AED'000	*Emaar Industries and Investment (Pvt) JSC AED'000*	*Dead Sea Company for Tourist and Real Estate Investment AED'000*	*Mirage Leisure and Development Inc AED'000*	*Turner International Middle East Ltd AED'000*	*Others* AED'000*	***Total AED'000***
Revenue	**1,001,630**	437,077	21,453	299,742	325,604	1,441,491	3,526,997
Profit / (loss) before tax	323,008	36,844	(26,446)	42,125	192,087	5,590	573,208
Income tax expense	(27,988)	-	(260)	-	(6,311)	(11,833)	(46,392)
Profit / (loss) for the year	295,020	36,844	(26,706)	42,125	185,776	(6,243)	526,816
Other comprehensive income	-	-	-	-	-	(31,482)	(31,482)
Total comprehensive income for the year	295,020	36,844	(26,706)	42,125	185,776	(37,725)	495,334
Profit / (loss) attributable to owners of the parent	296,406	14,663	(17,777)	42,125	185,776	(6,243)	514,950
Group's share of profit / (loss) for the year	90,671	5,865	(5,214)	1,713**	104,035	(8,280)	188,790
Dividend received during the year	-	10,000	-	-	102,844	1,000	113,844

* Includes associates and joint ventures for which the summarised financial information as at 31 December 2015 has not been made publicly available.

** Represents Group's share of profit of MLD from the acquisition date i.e. 1 October 2015.

The financial information of the Group's associates and joint ventures included above have been adjusted to bring their accounting policies in line with the accounting policies followed by the Group.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table summarises the income statements of the Group's associates and joint ventures for the year ended 31 December 2014:

	Emaar, The Economic City (Saudi Joint Stock Company) - quoted AED'000	*Emaar Industries and Investment (Pvt) JSC AED'000*	*Dead Sea Company for Tourist and Real Estate Investment AED'000*	*Turner International Middle East Ltd AED'000*	*Others* AED'000*	*Total AED'000*
Revenue	632,029	469,144	28,319	250,688	574,154	1,954,334
(Loss) / profit before tax	(32,863)	(3,625)	(21,562)	189,328	(294,009)	(162,731)
Income tax expense	(26,047)	-	-	(3,688)	(582)	(30,317)
(Loss) / profit for the year	(58,910)	(3,625)	(21,562)	185,640	(294,591)	(193,048)
Other comprehensive income	-	(60)	-	-	(7,295)	(7,355)
Total comprehensive income for the year	(58,910)	(3,685)	(21,562)	185,640	(301,886)	(200,403)
(Loss) / profit attributable to owners of the parent	(58,910)	(17,607)	(16,553)	185,640	(294,591)	(202,021)
Group's share of (loss) / profit for the year	(18,020)	(7,043)	(4,855)	92,820	(150,399)	(87,497)
Dividend received during the year	-	-	-	102,839	8,333	111,172

* Includes associates and joint ventures for which the summarised financial information as at 31 December 2014 has not been made publicly available.

The financial information of the Group's associates and joint ventures included above have been adjusted to bring their accounting policies in line with the accounting policies followed by the Group.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table summarises the statements of financial position of the Group's associates and joint ventures as at 31 December 2015:

	Emaar, The Economic City (Saudi Joint Stock Company) - quoted AED'000	*Emaar Industries and Investment (Pvt) JSC AED'000*	*Dead Sea Company for Tourist and Real Estate Investment AED'000*	*Mirage Leisure and Development Inc AED'000*	*Turner International Middle East Ltd AED'000*	*Others* AED'000*	*Total AED'000*
Total assets (including cash and cash equivalents of AED 2,974,166 thousands)	**17,649,850**	**654,575**	**808,454**	**121,298**	**894,102**	**15,164,256**	**35,292,535**
Total liabilities	**9,286,633**	**337,338**	**387,050**	**103,416**	**488,152**	**11,599,096**	**22,201,685**
Net assets	**8,363,217**	**317,237**	**421,404**	**17,882**	**405,950**	**3,565,160**	**13,090,850**
Group's share of net assets	**2,558,308**	**126,895**	**123,598**	**11,623**	**227,332**	**1,722,348**	**4,770,104**
Goodwill							**1,956,826**
Impairment							**(30,000)**
							6,696,930

*Includes associates and joint ventures for which the summarised financial information as at 31 December 2015 has not been made publicly available.

The financial information of the Group's associates and joint ventures included above have been adjusted to bring their accounting policies in line with the accounting policies followed by the Group.

As at 31 December 2015, the Group's associates and joint ventures had contingent liabilities of AED 944,656 thousands (2014: AED 593,716 thousands) and commitments of AED 3,156,290 thousands (2014: AED 4,703,678 thousands).

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following table summarises the statements of financial position of the Group's associates and joint ventures as at 31 December 2014:

	Emaar, The Economic City (Saudi Joint Stock Company) - quoted AED'000	*Emaar Industries and Investment (Pvt) JSC AED'000*	*Dead Sea Company for Tourist and Real Estate Investment AED'000*	*Turner International Middle East Ltd AED'000*	*Others* AED'000*	*Total AED'000*
Total assets (including cash and cash equivalents of AED 3,041,458 thousands)	15,771,548	669,632	725,570	759,364	24,248,069	42,174,183
Total liabilities	8,566,169	350,430	286,390	480,508	21,806,582	31,490,079
Net assets	7,205,379	319,202	439,180	278,856	2,441,487	10,684,104
Group's share of net assets	2,204,125	127,681	128,812	139,428	1,177,509	3,777,555
Goodwill						1,843,236
Impairment						(30,000)
						5,590,791

*Includes associates and joint ventures for which the summarised financial information as at 31 December 2014 has not been made publicly available.

The financial information of the Group's associates and joint ventures included above have been adjusted to bring their accounting policies in line with the accounting policies followed by the Group.

15 PROPERTY, PLANT AND EQUIPMENT

2015:

	Leasehold improvements AED'000	*Land and buildings AED'000*	*Computers and office equipment AED'000*	*Plant, machinery and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Leisure, entertainment and other assets AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:									
At 1 January 2015	431,658	6,510,698	310,536	1,377,682	67,462	826,639	1,045,907	612,784	11,183,366
Additions	1,930	342,525	88,201	30,858	13,229	56,689	45,194	969,743	1,548,369
Disposals / adjustments	(868)	-	(6,174)	(6,790)	(7,457)	(14,972)	(13,449)	-	(49,710)
Write off	-	(285,462)	(6,414)	(41,961)	-	(53,863)	(12,508)	(3,011)	(403,219)
Transfers	(5,645)	63,513	9,265	31,303	-	(297)	3	(98,142)	-
Transferred from development - properties (Note 11)	-	127,251	-	-	-	-	306	466,928	594,485
Transferred from / (to) investment - properties (Note 16)	-	406	-	-	-	-	(29,869)	(41,310)	(70,773)
Foreign currency translation differences	(37,250)	(29,593)	(2,977)	(8,823)	(1,608)	(5,169)	(6,281)	(5,919)	(97,620)
At 31 December 2015	**389,825**	**6,729,338**	**392,437**	**1,382,269**	**71,626**	**809,027**	**1,029,303**	**1,901,073**	**12,704,898**
Accumulated depreciation:									
At 1 January 2015	112,671	1,216,423	246,626	460,272	45,825	501,844	386,030	-	2,969,691
Depreciation charge for the year	38,799	196,812	47,426	106,945	11,393	127,084	70,920	-	599,379
Eliminated on disposals/adjustments	(618)	-	(5,159)	(5,687)	(7,447)	(13,962)	(11,478)	-	(44,351)
Write off	-	(43,204)	(4,998)	(25,609)	-	(34,130)	(2,054)	-	(109,995)
Transferred to investment properties (Note 16)	-	-	-	-	-	-	(11,862)	-	(11,862)
Foreign currency translation differences	(8,504)	(8,994)	(2,276)	(3,355)	(1,050)	(3,899)	(3,170)	-	(31,248)
At 31 December 2015	**142,348**	**1,361,037**	**281,619**	**532,566**	**48,721**	**576,937**	**428,386**	-	**3,371,614**
Net carrying amount:									
At 31 December 2015	**247,477**	**5,368,301**	**110,818**	**849,703**	**22,905**	**232,090**	**600,917**	**1,901,073**	**9,333,284**

15 PROPERTY, PLANT AND EQUIPMENT (continued)

2014:

	Leasehold improvements AED'000	*Land and buildings AED'000*	*Computers and office equipment AED'000*	*Plant, machinery and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Leisure, entertainment and other assets AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:									
At 1 January 2014	475,954	6,295,624	270,760	1,348,854	60,539	706,776	998,411	290,224	10,447,142
Additions	13,607	61,992	42,033	31,250	14,148	103,631	36,048	452,027	754,736
Disposals / adjustments	(10,468)	(21)	(1,357)	(2,823)	(6,652)	(13,085)	(2,256)	-	(36,662)
Transfers	-	105,311	55	(14,486)	-	16,485	11,950	(119,315)	-
Transferred from development - properties (Note 11)	-	61,167	-	19,082	-	16,761	2,983	22,507	122,500
Transferred from / (to) investment - properties (Note 16)	-	-	-	-	-	-	791	(26,354)	(25,563)
Foreign currency translation differences	(47,435)	(13,375)	(955)	(4,195)	(573)	(3,929)	(2,020)	(6,305)	(78,787)
At 31 December 2014	431,658	6,510,698	310,536	1,377,682	67,462	826,639	1,045,907	612,784	11,183,366
Accumulated depreciation:									
At 1 January 2014	80,391	1,014,916	212,299	371,874	43,326	392,854	315,801	-	2,431,461
Depreciation charge for the year	43,961	204,985	36,359	91,719	9,182	121,507	71,817	-	579,530
Eliminated on disposals/adjustments	(2,467)	(21)	(1,258)	(1,832)	(6,365)	(10,035)	(414)	-	(22,392)
Foreign currency translation differences	(9,214)	(3,457)	(774)	(1,489)	(318)	(2,482)	(1,174)	-	(18,908)
At 31 December 2014	112,671	1,216,423	246,626	460,272	45,825	501,844	386,030	-	2,969,691
Net carrying amount:									
At 31 December 2014	318,987	5,294,275	63,910	917,410	21,637	324,795	659,877	612,784	8,213,675

15 PROPERTY, PLANT AND EQUIPMENT (continued)

The valuation of the Group's significant revenue generating property, plant and equipment is carried out by independent professionally qualified valuers. The net income has been capitalised at terminal yield range of 6% to 7.5% (2014: 6.5% to 7.5%) and a discount rate range of 6.5% to 9.5% (2014: 6.5% to 9%) representing the characteristics and risk profile of an asset to determine the value of each of the revenue generating property, plant and equipment. At 31 December 2015, the fair value of these revenue generating property, plant and equipment is AED 7,137,120 thousands (2014: AED 10,169,113 thousands) compared with a carrying value of AED 5,140,694 thousands (2014: AED 5,609,633 thousands).

Certain assets relating to The Address Boulevard hotel which were damaged in a fire on 31 December 2015 were written off by the Group based on a damage assessment undertaken by an independent consultant. The assets written off includes property, plant and equipment with net carrying value of AED 293,224 thousands and inventories amounting to AED 8,048 thousands. This represents management's best estimate of the loss of damage as at the reporting date.

The Group has initiated the insurance claim process against the damage of assets with the insurance company. Upon acknowledgement and acceptance of the claim by the insurance company, an offsetting insurance receivable and corresponding income will be recorded in the books in the subsequent period/s.

During the year, a non-controlling partner of the Group has contributed plots of land amounting to AED 276,058 thousands as capital contribution to a subsidiary of the Group as per the terms of shareholders agreement and approval of Board of Directors of the subsidiary.

Certain property, plant and equipments are pledged as security against interest-bearing loans and borrowings as disclosed under Note 21.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of its revenue generating property, plant and equipment by valuation technique:

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
2015	**7,137,120**	-	-	**7,137,120**
2014	10,169,113	-	-	10,169,113

Any significant movement in the assumptions used for the fair valuation of revenue generating property, plant and equipments such as discount rates, long term revenue/margin growth etc. would result in significantly lower / higher fair value of those assets.

16 INVESTMENT PROPERTIES

2015:

	Land AED'000	*Buildings AED'000*	*Plant and equipment AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2015	34,194	8,824,991	440,088	296,831	646,675	10,242,779
Additions	-	3,929	-	79,406	762,395	845,730
Disposal /Adjustments	-	(14,021)	-	(11,079)	-	(25,100)
Transfers	-	51,539	-	17,520	(69,059)	-
Transferred from development properties (Note 11)	1,802,474	20,814	-	-	1,372,405	3,195,693
Transferred from property, plant and equipment (Note 15)	-	26,970	-	32,480	11,323	70,773
Foreign currency translation differences	(520)	(3,273)	-	-	-	(3,793)
At 31 December 2015	**1,836,148**	**8,910,949**	**440,088**	**415,158**	**2,723,739**	**14,326,082**
Accumulated depreciation:						
At 1 January 2015	-	1,363,457	269,407	294,981	-	1,927,845
Depreciation charge for the year	-	235,032	43,771	22,829	-	301,632
Disposal	-	(3,165)	-	(11,063)	-	(14,228)
Transferred from property, plant and equipment (Note 15)	-	-	-	11,862	-	11,862
Foreign currency translation differences	-	(130)	-	-	-	(130)
At 31 December 2015	-	**1,595,194**	**313,178**	**318,609**	-	**2,226,981**
Net carrying amount:						
At 31 December 2015	**1,836,148**	**7,315,755**	**126,910**	**96,549**	**2,723,739**	**12,099,101**

16 INVESTMENT PROPERTIES (continued)

2014:

	Land AED'000	*Buildings AED'000*	*Plant and equipment AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2014	28,097	8,715,861	440,088	296,831	62,344	9,543,221
Additions	-	34,594	-	-	593,903	628,497
Transfers	-	8,781	-	-	(8,781)	-
Transferred from development properties (Note 11)	6,160	39,921	-	-	-	46,081
Transferred from / (to) property, plant and equipment (Note 15)	-	26,354	-	-	(791)	25,563
Foreign currency translation differences	(63)	(520)	-	-	-	(583)
At 31 December 2014	34,194	8,824,991	440,088	296,831	646,675	10,242,779
Accumulated depreciation:						
At 1 January 2014	-	1,131,556	225,636	294,918	-	1,652,110
Depreciation charge for the year	-	231,912	43,771	63	-	275,746
Foreign currency translation differences	-	(11)	-	-	-	(11)
At 31 December 2014	-	1,363,457	269,407	294,981	-	1,927,845
Net carrying amount:						
At 31 December 2014	34,194	7,461,534	170,681	1,850	646,675	8,314,934

16 INVESTMENT PROPERTIES (continued)

The fair value of the freehold interest in Group's investment properties at 31 December 2015 was determined by the management based on valuations performed by independent and renowned external valuers. The valuation was performed in accordance with the RICS valuation standards, adopting the IFRS basis of fair value and using established valuation techniques. The value of the investment properties has been determined through analysis of the income cash flow achievable for the buildings and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the property, the value of each of the properties has been determined by capitalising the estimated net income at an equivalent yield in the range of 7% to 10% (2014: 9% to 10%) (income capitalisation method); or assuming rental growth rates of 2.5% to 5%, discount rates of 9.5% to 10.75% and exit cap rates of 6% to 8.5% (discounted cash flow method). Where there are outstanding construction costs to complete the property these have been reflected in the valuation (residual method).

The fair value of investment properties is AED 54,688,805 thousands (2014: AED 44,581,989 thousands) compared with a carrying value of AED 12,099,101 thousands (2014: AED 8,314,934 thousands).

Investment properties represent the Group's interest in land and buildings situated in the UAE, Turkey and Egypt.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of its investment properties by valuation technique:

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
2015	**54,688,805**	**-**	**-**	**54,688,805**
2014	44,581,989	-	-	44,581,989

Any significant movement in the assumptions used for the fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower / higher fair value of those assets.

17 GOODWILL

	2015 AED'000	*2014 AED'000*
Balance at the beginning and end of the year	**46,066**	46,066

The goodwill relates to the operations of Hamptons in the MENA region and has been tested for impairment using a value in use model. The calculation of value in use was sensitive to the following assumptions:

Gross margins - Gross margins were based on the expectations of management based on past experience and expectation of future market conditions.

Discount rates - Discount rates reflected management's estimate of the specific risks. The discount rate was based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium/ discount. This was the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimated that such discount rate to be used for evaluation of the investment should be between 7% and 8%.

Growth rate estimates - Management prepared a five year budget based on their expectations of future results, thereafter a growth rate of 0.5% to 1% was assumed.

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

18 TRADE AND OTHER PAYABLES

	2015 *AED'000*	*2014* *AED'000*
Project contract cost accruals and provisions	**4,098,732**	3,626,967
Trade payables	**1,022,517**	1,159,093
Payable to non-controlling interests	**1,013,309**	992,344
Creditors for land purchase	**453,414**	546,777
Dividends payable	**300,457**	1,604,824
Income tax payable (Note 7)	**54,421**	16,804
Deferred income tax payable	**4,544**	32,412
Other payables and accruals	**2,403,003**	1,881,130
	9,350,397	9,860,351

Trade and other payables are non-interest bearing and for explanations on the Group's credit risk management process, refer to Note 31.

19 ADVANCES FROM CUSTOMERS

	2015 *AED'000*	*2014* *AED'000*
Balance at the beginning of the year	**15,482,005**	9,763,407
Effect of changes in accounting policy (Note 2.3)	**(2,894,980)**	-
Balance at 1 January 2015	**12,587,025**	9,763,407
Add: amount billed during the year	**13,515,309**	14,168,865
Less: revenue recognised during the year	**(11,983,845)**	(8,212,508)
Less: forfeiture/other income recognised during the year	**(46,546)**	(237,759)
Balance at the end of the year	**14,071,943**	15,482,005

The aggregate amount of the sale price allocated to the performance obligations of the Group that are unsatisfied / partially unsatisfied as at 31 December 2015 is AED 35,573,669 thousands. The Group expects to recognise these unsatisfied performance obligations as revenue over a period of 4 to 5 years.

Revenue during the year, as stated above, is significantly recognised from the balance at 1 January 2015.

20 RETENTIONS PAYABLE

	2015 *AED'000*	*2014* *AED'000*
Retentions payable within 12 months	**319,103**	404,070
Retentions payable after 12 months	**484,189**	317,550
	803,292	721,620

21 INTEREST-BEARING LOANS AND BORROWINGS

	2015 *AED'000*	*2014* *AED'000*
Balance at the beginning of the year	**6,006,848**	6,356,918
Add : Borrowings drawn down during the year	**1,588,353**	5,179,437
Less : Borrowings repaid during the year	**(680,292)**	(5,529,507)
Balance at the end of the year	**6,914,909**	6,006,848
Less: unamortised portion of directly attributable costs	**(40,115)**	(47,364)
Net interest-bearing loans and borrowings at the end of the year	**6,874,794**	5,959,484
Interest-bearing loans and borrowings maturity profile:		
within 12 months	**325,009**	729,528
after 12 months	**6,549,785**	5,229,956
Balance at the end of the year	**6,874,794**	5,959,484
Interest-bearing loans and borrowings located:		
Within UAE	**5,142,960**	4,635,711
Outside UAE	**1,731,834**	1,323,773
	6,874,794	5,959,484

The Group has the following secured and unsecured interest-bearing loans and borrowings:

Secured

- USD 280,693 thousands (AED 1,030,985 thousands) of Syndicated facility, secured against certain investment properties owned by the Group in Turkey, carries interest at LIBOR plus 1.75% per annum and fully repayable by 2019.

- USD 28,518 thousands (AED 104,747 thousands) loan from a commercial bank, secured against certain assets in Lebanon, carries interest at rates ranging from 6.5% to 7.5% per annum and is repayable by 2018.

- USD 4,482 thousands (AED 16,462 thousands) loan from a commercial bank, secured against certain assets in Lebanon, carries interest at 3.75% per annum and is repayable by 2020.

- AED 500,000 thousands loan from a commercial bank, secured against certain assets in United Arab Emirates, carries interest at EIBOR plus 1.75% per annum and is repayable in 2020.

- Subsequent to the reporting date, one of the subsidiaries of the Group has entered into a project financing arrangement with a commercial bank in UAE for an amount of AED 750,000 thousands, secured against certain assets of the subsidiary and carries interest at EIBOR plus 2.5% per annum. The loan is repayable by 2025.

Unsecured

- During 2014, the Group has drawdown USD 1,250,000 thousands (AED 4,591,250 thousands) Syndicated Murhabha Islamic Finance Facility (the "Syndicated Facility") availed from a syndication of commercial banks in UAE. The Syndicated Facility is presented in the consolidated financial statements at AED 4,551,135 thousands net of unamortised directly attributable transaction cost. The Syndicated Facility is unsecured, carries profit rate at LIBOR plus 1.75% per annum and is fully repayable in 2021. The bank has a lien of AED 27,208 thousands (2014: AED 23,550 thousands) (refer note 8) towards accrued interest.

21 INTEREST-BEARING LOANS AND BORROWINGS (continued)

- PKR 5,688,184 thousands (AED 199,087 thousands) loan from commercial banks, bearing interest at KIBOR plus 0.3% - 0.54% per annum and is repayable by 2016.

- PKR 1,160,010 thousands (AED 40,600 thousands) loan from a commercial bank, bearing interest at KIBOR plus 0.30% per annum and is fully repayable by 2016.

- Egyptian Pound (EGP) 291,216 thousands (AED 136,703 thousands) of funding facilities from commercial banks in Egypt, carries interest at rates ranging from 9.75% to 11.25% per annum and repayable by 2021.

- USD 50,000 thousands (AED 183,650 thousands) loan from a commercial bank in Lebanon, carries interest at 3.75% per annum and is repayable by 2017.

- SAR 20,030 thousands (AED 19,600 thousands) loan from a commercial bank bearing interest at 2.60% per annum and is repayable by 2016.

- USD 25,000 thousands (AED 91,825 thousands) represents partial drawdown out of USD 500,000 thousands (AED 1,836,500 thousands) Revolving Credit Line Facility availed from the syndication of commercial banks in UAE, carries interest at LIBOR plus 1.25% to 1.35% per annum and is repayable by 2020.

22 SUKUK

A. Emaar Sukuk Limited:

Emaar Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has established a trust certificate issuance programme (the "Programme") pursuant to which the Issuer may issue from time to time up to USD 2,000,000 thousands (AED 7,346,000 thousands) of trust certificates in series.

Series 1:
On 3 February 2011, the Issuer had issued first series of trust certificates (the "Sukuk 1") amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. Sukuk 1 carries a profit distribution at the rate of 8.5% per annum to be paid semi-annually. The Sukuk 1 is listed on the London Stock Exchange and NASDAQ Dubai and is due for repayment in 2016. The carrying value of Sukuk 1 is as follows:

	2015	*2014*
	AED'000	*AED'000*
Sukuk liability as at year-end	**1,834,117**	1,830,269

Series 2:
On 18 July 2012, the Issuer had issued the second series of the trust certificates (the "Sukuk 2") amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. The Sukuk 2 is listed on NASDAQ Dubai and is due for repayment in 2019. Sukuk 2 carries a profit distribution at the rate of 6.4% per annum to be paid semi-annually. The carrying value of Sukuk 2 is as follows:

	2015	*2014*
	AED'000	*AED'000*
Sukuk liability as at year-end	**1,829,148**	1,827,361

B. Emaar Malls Group (EMG) Sukuk Limited:

On 18 June 2014, the EMG Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of EMG, has issued trust certificates (the "Sukuk") amounting to USD 750,000 thousands (AED 2,754,750 thousands). The Sukuk is listed on the NASDAQ Dubai and is due for repayment in 2024.

22 SUKUK (continued)

B. Emaar Malls Group (EMG) Sukuk Limited (continued):

The Sukuk carries a profit distribution rate of 4.6% per annum to be paid semi-annually. The carrying value of Sukuk is as follows:

	2015 AED'000	*2014 AED'000*
Sukuk liability as at year-end	**2,735,867**	2,734,008

The total Sukuk liability is as follows:

Emaar Sukuk Limited:		
- Series 1	**1,834,117**	1,830,269
- Series 2	**1,829,148**	1,827,361
EMG Sukuk Limited:		
- Sukuk	**2,735,867**	2,734,008
Total Sukuk liability at the year-end	**6,399,132**	6,391,638

23 EMPLOYEE BENEFITS

End-of-Service Benefits
The movement in the provision for employees' end-of-service benefits was as follows:

	2015 AED'000	*2014 AED'000*
Balance at the beginning of the year	**133,584**	89,689
Provided during the year	**22,367**	58,252
Paid during the year	**(19,847)**	(14,357)
Balance at the end of the year	**136,104**	133,584

Employees' Performance Share Programme
The Company has an Employee Performance Share Programme ("the Programme") to recognise and retain high performing staff. The Programme gives the employee the right to purchase the Company's shares at par. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2015		*2014*	
	No.	**WAEP**	No.	WAEP
Outstanding at the beginning of the year	**59,743**	**AED 1.00**	59,743	AED 1.00
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**59,743**	**AED 1.00**	59,743	AED 1.00

The fair value of the vested shares is determined by reference to the official price list published by the Dubai Financial Market (DFM) for the 5 consecutive trading days prior to and after the vested date. As the options are granted deep in the money, management considers this to be an appropriate means of valuation.

The expense recognised during the year in respect of the programme was AED Nil (2014: AED Nil).

24 SHARE CAPITAL

	2015	*2014*
	AED'000	*AED'000*
Authorised capital: 7,159,738,882 shares of AED 1 each (2014: 7,159,738,882 shares of AED 1 each)	**7,159,739**	7,159,739
Issued and fully paid-up: 7,159,738,882 shares of AED 1 each (2014: 7,159,738,882 shares of AED 1 each)	**7,159,739**	7,159,739

(a) During 2014, the Group received conversion notices from holders of the Convertible Notes (the "Notes") with a face value of USD 475,700 thousands (AED 1,747,246 thousands). Accordingly, the Company converted these Notes at a conversion price of AED 4.38 per share and issued 398,914,594 new equity shares of AED 1 each on 22 January 2014. The premium of AED 3.38 per share on conversion of the Notes amounting to AED 1,348,331 thousands was transferred to statutory reserve. The Company settled the remaining Notes with a face value of USD 2,000 thousands (AED 7,346 thousands), wherein the holders had not applied for conversion, in cash on 6 February 2014 pursuant to the conversion notice issued by the Company on 6 January 2014. The above conversion and settlement resulted in full extinguishment of the Group's liability towards the Notes.

(b) During 2014, the Company's shareholders had approved a share dividend of AED 0.10 per share. Accordingly, the Company had issued 650,885,353 new equity shares of AED 1 each.

25 RESERVES

	Statutory reserve AED'000	*Capital reserve AED'000*	*General reserves AED'000*	*Hedging reserves AED'000*	*Share premium AED'000*	*Net unrealised gains/(losses) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*
Balance as at 1 January 2014	13,871,914	3,660	3,383,280	(50,774)	-	(929,762)	(1,402,205)	14,876,113
Increase/ (decrease) in unrealised - reserve	-	-	-	48,096	-	(5,087)	-	43,009
Decrease in foreign currency translation reserve	-	-	-	-	-	-	(189,868)	(189,868)
Net income/ (loss) recognised directly in equity	-	-	-	48,096	-	(5,087)	(189,868)	(146,859)
Conversion of convertible notes (Note 24)	1,348,331	-	-	-	-	-	-	1,348,331
Dilution of investment in a subsidiary	-	-	-	175	-	-	-	175
Net movement during the year	-	-	329,321	-	-	-	-	329,321
Balance as at 31 December 2014	15,220,245	3,660	3,712,601	(2,503)	-	(934,849)	(1,592,073)	16,407,081
Decrease in unrealised reserve	-	-	-	(20,321)	-	(228,004)	-	(248,325)
Decrease in foreign currency translation reserve	-	-	-	-	-	-	(468,133)	(468,133)
Net loss recognised directly in equity	-	-	-	(20,321)	-	(228,004)	(468,133)	(716,458)
Acquisition of non-controlling interest	-	-	-	-	-	-	2,197	2,197
Dilution of investment in a subsidiary (Note 2.1)	-	-	-	-	578,234	-	25,008	603,242
Net movement during the year	-	-	642,007	-	-	-	-	642,007
Balance as at 31 December 2015	**15,220,245**	**3,660**	**4,354,608**	**(22,824)**	**578,234**	**(1,162,853)**	**(2,033,001)**	**16,938,069**

25 RESERVES (continued)

According to Article number 57 of the Articles of Association of the Company and Article 239 of the UAE Federal Law No.(2) of 2015, 10% of annual net profits are allocated to the statutory reserve and another 10% to the general reserve. The transfers to the statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. Transfers to the general reserve may be suspended by the ordinary general assembly when the reserve reaches 50% of the paid-up capital.

The statutory reserve is in excess of 50% of the paid-up share capital of the Company and therefore in accordance with a resolution of the Annual General Meeting, the Group has ceased further transfers to this reserve.

The statutory reserve includes:

- AED 2,475,000 thousands being the premium collected at AED 15 per share (shares par value at that time was AED 10 per share) on the 1:1.65 rights issue during the year ended 31 December 1998;

- AED 11,321,656 thousands being the premium collected to date at AED 4 per share (share par value at AED 1 per share) on the 1:1 rights issue announced during the year ended 31 December 2005;

- AED 63,207 thousands being the premium of AED 3.38 per share (share par value at AED 1 per share) on conversion of the Notes having face value of USD 22,300 thousands (AED 81,907 thousands) on 22 December 2014; and

- AED 1,348,331 thousands being the premium of AED 3.38 per share (share par value at AED 1 per share) on conversion of the notes having face value of USD 475,700 thousands (AED 1,747,246 thousands) on 22 January 2014 (also refer note 24).

In 2015, appropriation to the general reserve also includes AED 233,791 thousands on account of adjustment to the opening retained earnings of AED 2,337,907 thousands (refer note 2.3).

The capital reserve was created from the gain on sale of treasury shares in 2003.

Net unrealised gains/(losses) reserve:

- This reserve records fair value changes in financial assets at fair value through other comprehensive income and the Group's share in fair value reserve of the associated companies.

Foreign currency translation reserve:

- The foreign currency translation reserve is used to record exchange difference arising from translation of the financial statements of foreign subsidiaries and associates.

Hedging reserves:

- Hedging reserves represents the effective portion of the gain or loss on the interest rate swap contracts held by the Group.

26 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to the owners of the parent (after adjusting for interest on the convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

26 EARNINGS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share is as follows:

	2015 AED'000	2014 AED'000
Earnings:		
Profit attributable to the owners of the parent	**4,082,165**	3,293,205

Number of shares in thousands	2015	2014
Weighted average number of ordinary shares for basic earnings per share*	**7,159,739**	6,922,798

* On 22 January 2014, the Company issued 398,914,594 new equity shares pursuant to conversion of convertible notes (refer note 24). Additionally on 1 May 2014, the Company has issued 650,885,353 equity shares pursuant to the share dividend approved by the shareholders. Accordingly, the weighted average number of shares in 2014 takes into account the weighted average effect of change in number of equity shares on conversion of convertible notes and issue of bonus shares.

	2015	2014
Earnings per share:		
- basic and diluted earnings per share	**AED 0.57**	AED 0.48

27 GUARANTEES AND CONTINGENCIES

1. Loans taken by an associate from commercial banks amounting to AED 74,531 thousands (2014: AED 102,748 thousands) are guaranteed by the Group.

2. The Group has issued financial guarantee and letter of credit of AED 106,776 thousands (2014: AED 102,922 thousands).

3. The Group has provided a financial guarantee of AED 5,000 thousands (2014: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of a trade license from Government of Dubai.

4. The Group has provided a financial guarantee of AED 3,287 thousands (2014: AED 3,287 thousands) as a security for the performance of its contractual obligations.

5. The Group has provided a financial guarantee of AED 2,369,723 thousands (2014: AED 1,858,975 thousands) to Real Estate Regulatory Authority (RERA), Dubai for its new projects as per RERA regulations.

6. The Group has provided a corporate guarantee of AED 73,460 thousands (2014: AED 73,460 thousands) to a commercial bank as a security for the guarantees issued bank on behalf of joint venture of the Group.

Subsequent to the reporting date, the consortium of contractors for one of the Group's project in Dubai has filed an arbitration claim with International Chamber of Commerce for an amount of AED 3.4 billion. At this stage, neither the claim nor the Group's counterclaims have been particularised and no tribunal has been appointed. The Group does not expect claim proceedings to have any material impact on the Group's financial position. In addition, there were certain claims submitted by the contractors relating to different projects of the Group in the ordinary course of business from which it is anticipated that no material un-provided liabilities will arise.

28 COMMITMENTS

At 31 December 2015, the Group had commitments of AED 17,112,746 thousands (2014: AED 17,357,464 thousands) which include project commitments of AED 16,624,543 thousands (2014: AED 16,904,105 thousands). This represents the value of contracts issued at 31 December 2015 net of invoices received and accruals made at that date.

Operating lease commitments - Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. These leases have an average life of between 1 to 10 years. There are no restrictions placed upon by the Group on entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2015 AED'000	*2014 AED'000*
Within one year	**112,969**	74,454
After one year but not more than five years	**135,277**	177,473
More than five years	**-**	18,093
	248,246	270,020

Operating lease commitments - Group as lessor

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2015 AED'000	*2014 AED'000*
Within one year	**2,142,096**	1,793,552
After one year but not more than five years	**3,417,963**	3,355,954
More than five years	**933,892**	719,899
	6,493,951	5,869,405

29 DIVIDENDS

A cash dividend of AED 0.15 per share for 2014 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 25 April 2015.

Further, a special dividend of AED 1.257 per share was approved by the shareholders of the Company at the Ordinary General Meeting of the Company held on 23 December 2014.

A cash dividend of AED 0.15 per share for 2015 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the forthcoming Annual General Meeting.

30 RELATED PARTY DISCLOSURES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

30 RELATED PARTY DISCLOSURES (continued)

Related party transactions
During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2015 AED'000	2014 AED'000
Associates and Joint Ventures:		
Finance income earned on loans	**108,271**	108,399
Property development expenses	**142,406**	101,347
Capital expenditure	**26,049**	11,380
Islamic finance income	**3,098**	4,317
Selling, general and administrative expenses	**3,083**	3,926
Rental income from leased properties and related income	**3,588**	3,175
Cost of revenue	**1,312**	4,177
Other operating income	**1,052**	1,010
Other income	**81**	140
Directors', Key management personnel and their related parties:		
Rental income from leased properties and related income	**117,388**	96,354
Selling, general and administrative expenses	**33,354**	31,453
Cost of revenue	**26,045**	26,220
Islamic finance income	**11,395**	5,449
Other finance income	**19,886**	4,045
Finance costs incurred on interest-bearing loans and borrowings	**25,251**	16,100
Sale of property	**7,665**	105,213
Other income	**4,530**	921
Revenue from hospitality	**2,558**	2,054
Property development expenses	**2,414**	3,757
Other operating income	**747**	283
Capital expenditure	**-**	110

Related party balances
Significant related party balances (and the consolidated statement of financial position captions within which these are included) are as follows:

	2015 AED'000	2014 AED'000
Associates and joint ventures:		
Trade and other payables	**55,608**	58,900
Trade receivables	**314**	389
Directors', Key management personnel and their related parties:		
Bank balances and cash	**3,994,639**	2,100,642
Investment in securities at fair value through other comprehensive income	**69,316**	85,835
Advance from customers	**22,794**	52,968
Interest-bearing loans and borrowings	**749,610**	239,173
Trade receivables	**7,668**	1,397
Other assets, receivables, deposits and prepayments	**9,646**	2,165
Trade and other payables	**6,055**	5,917

During 2010, the Company had cancelled a development agreement with a company in which one of the Directors of the Company has an interest. During 2014, an agreement has been signed between the Company and the Director to settle the receivable relating to this in full.

30 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	2015	*2014*
	AED'000	*AED'000*
Short-term benefits	**312,539**	247,501
Employees' end-of-service benefits	**16,121**	29,283
	328,660	276,784

During the year, the number of key management personnel is 228 (31 December 2014: AED 224).

During the year, the Company has paid a bonus of AED 2,561 thousands to each of the non-executive members of the Board of Directors for the year 2014 as approved by the shareholders at the Annual General Meeting of the Company held on 25 April 2015.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview
The Group has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk, and
c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing loans and borrowings, sukuk, retentions payable and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, trade receivables and other receivables and deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's sources of finance.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, other receivables and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 98% (2014: 98%) of the Group's trade receivables are based in Middle East and North Africa.

The Group has entered into contracts for the sale of residential and commercial units and plots of land on an installment basis. The installments are specified in the contracts. The Group is exposed to credit risk in respect of installments due. However, the legal ownership of residential, commercial units and plots of land is transferred to the buyer only after all the installments are recovered. In addition, installment dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment at each reporting date that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Other financial assets and cash deposits
With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash, investment in securities, loans to associates and joint ventures, other receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. The Group limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail in meeting its obligations.

Guarantees
The Group's policy is to provide financial guarantees only to its subsidiaries and certain associates and joint ventures. For details of guarantees outstanding as at the reporting date refer Note 27 to the consolidated financial statements.

Excessive risk of concentration
Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk, interest rate risk and equity prices risks, which will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by market risk include interest-bearing loans and borrowings, sukuk, deposits, investment in securities and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group also enters into derivative transactions, primarily interest rate swap. The purpose is to manage the interest rate risk arising from the Group's sources of finance.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Exposure to interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. It also enters into an interest rate swap contracts to hedge the interest rate risk of the firm commitment (also refer note 33). Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rates is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its borrowing from financial institutions, investment in financial products and fixed deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, after the impact of hedge accounting, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2015		*2014*	
	Change in basis points	***Sensitivity of interest income/ expense AED'000***	*Change in basis points*	*Sensitivity of interest income/ expense AED'000*
Financial assets	**± 100**	**1,752**	± 100	1,680
Financial liabilities	**± 100**	**34,636**	± 100	31,243

The interest rate sensitivity set out above relates primarily to the AED and USD denominated financial assets and financial liabilities as the Group does not have any significant net exposure for financial assets and financial liabilities denominated in currencies other than the AED or currencies pegged to the AED and USD.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. The interest rates on loans to associates are described in Note 13 to the consolidated financial statements. Interest rates on loans from financial institutions are disclosed in Note 21 to the consolidated financial statements.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk (continued)

Exposure to foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's significant monetary assets and liabilities denominated in foreign currencies are either in USD or in currencies pegged to USD. As the AED is currently pegged to the USD, balances in USD and other currencies pegged against USD are not considered to represent significant currency risk.

However, the Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's net investments in those subsidiaries and associates where functional currencies are denominated in a different currency from the Group's functional currency and which are not pegged to the AED and USD. The foreign currency exchange differences arising upon consolidation of these entities for the purpose of preparation of the Group's consolidated financial statements are recorded in the consolidated statement of changes in equity through the consolidated statement of comprehensive income.

The table below indicates the sensitivity analysis of a change in foreign exchange rates of these currencies and their impact on other comprehensive income:

	2015		*2014*	
Currency	***Change in currency rate in %***	***Effect on equity AED'000***	*Change in currency rate in %*	*Effect on equity AED'000*
EGP	**±10**	**338,749**	±10	207,291
INR	**±10**	**259,419**	±10	271,600
Other currencies not pegged to US Dollar	**±10**	**21,575**	±10	15,274

Exposure to equity price risk
Equity price risk is the risk that the fair values of equities increase or decrease as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. Equity price risk arises from equity instruments held by the Group at fair value through other comprehensive income. Management of the Group monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed by qualified fund managers as well as on an individual basis. The primary goal of the Group's investment strategy is to maximise investment returns.

The effect on fair value of equity instruments (as a result of a change in the fair value of equity instruments held at fair value through other comprehensive income as at 31 December 2015) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2015		*2014*	
	Change in equity price in %	***Effect on equity AED'000***	*Change in equity price in %*	*Effect on equity AED'000*
Quoted investments	**±10**	**65,165**	±10	84,913

Exposure to overseas country risks
Management monitors political and economic events and developments in countries where the Group operates to assess the likelihood of any potential impact to the Group's financial position and results of operations.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables, other financial assets) and projected cash flows from operations.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank borrowings and finance lease contracts. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial liabilities	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
As at 31 December 2015					
Interest-bearing loans and borrowings	**208,255**	**472,272**	**2,766,833**	**4,665,757**	**8,113,117**
Retentions payable	**36,670**	**282,433**	**484,189**	**-**	**803,292**
Payable to non-controlling interests	**-**	**-**	**1,013,309**	**-**	**1,013,309**
Dividend payable	**300,457**	**-**	**-**	**-**	**300,457**
Sukuk	**136,819**	**2,099,046**	**2,692,015**	**3,194,794**	**8,122,674**
Other liabilities	**1,995,937**	**2,653,571**	**2,890,515**	**319,189**	**7,859,212**
Total undiscounted financial liabilities	**2,678,138**	**5,507,322**	**9,846,861**	**8,179,740**	**26,212,061**

Financial liabilities	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
As at 31 December 2014					
Interest-bearing loans and borrowings	136,261	797,874	1,214,041	4,723,799	6,871,975
Retentions payable	65,341	338,729	317,550	-	721,620
Payable to non-controlling interests	-	-	992,344	-	992,344
Dividend payable	1,604,824	-	-	-	1,604,824
Sukuk	136,819	262,546	4,802,154	3,320,521	8,522,040
Other liabilities	1,521,046	2,526,752	2,740,635	382,974	7,171,407
Total undiscounted financial liabilities	3,464,291	3,925,901	10,066,724	8,427,294	25,884,210

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Capital management

Capital includes equity attributable to the equity holders of the parent. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings and sukuk less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the net unrealised gains/(losses) reserve. At 31 December 2015, the Groups' gearing ratio is 10% (31 December 2014: 12%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors also monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to shareholders, the return on capital to shareholders or issuance of new shares to maintain or adjust the capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, investment in securities, loans and advances, other receivables, deposits and due from related parties. Financial liabilities of the Group include customer deposits, interest-bearing loans and borrowings, sukuk, accounts payable, retentions payable and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

33 HEDGING ACTIVITIES

Cash flow hedges
At 31 December 2015, the Group held certain interest rate swap contracts designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts is USD 725,000 thousands and AED 500,000 thousands respectively (2014: USD 218,672 thousands and AED 2,457,000 thousands respectively).

	2015		*2014*	
	Assets AED'000	***Liabilities AED'000***	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	**-**	**34,379**	-	2,958

33 HEDGING ACTIVITIES (continued)

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of cash flow hedges by valuation technique:

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
2015				
Interest rate swap contracts	**34,379**	-	**34,379**	-
2014				
Interest rate swap contracts	2,958	-	2,958	-

Valuation technique
The present value of interest rate swaps is computed by determining the present value of the fixed leg and the floating leg interest flows. The value of the fixed leg is given by the present value of the fixed coupon payments. The value of the floating leg is given by the present value of the floating coupon payments determined at the agreed dates of each payment. The forward rate for each floating payment date is calculated using the forward curves.

34 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries of the Group that have material non-controlling interest are provided below:

	Country of incorporation	***Ownership 2015***	*Ownership 2014*
Emaar Malls Group PJSC	UAE	84.63%	84.63%
Dubai Hills Estate LLC	UAE	50.00%	50.00%
Emaar Misr for Development SAE (Refer note 2.1)	Egypt	88.96%	100.00%
Renaissance Metn SAL	Lebanon	65.00%	65.00%
Emaar Giga Karachi Limited	Pakistan	73.12%	73.12%
Emaar Middle East LLC	KSA	61.00%	61.00%

The following table summarises the statement of financial position of these subsidiaries as at 31 December 2015. This information is based on the amounts before inter-company elimination.

	Emaar Malls Group PJSC AED'000	*Dubai Hills Estate LLC AED'000*	*Emaar Misr for Development SAE AED'000*	*Renaissance Metn SAL AED'000*	*Emaar Giga Karachi Limited AED'000*	*Emaar Middle East LLC AED'000*
Total assets	**24,560,917**	**3,046,260**	**7,049,490**	**571,225**	**696,743**	**2,986,543**
Total liabilities	**9,117,253**	**1,966,306**	**3,263,600**	**399,140**	**805,853**	**2,931,710**
Total equity	**15,443,664**	**1,079,954**	**3,785,890**	**172,085**	**(109,110)**	**54,833**
Attributable to:						
Owners of the parent	**13,070,326**	**539,977**	**3,387,494**	**111,855**	**(70,208)**	**(35,462)**
Non-controlling interest	**2,373,338**	**539,977**	**398,396**	**60,230**	**(38,902)**	**90,295**

34 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

The following table summarises the income statement of these subsidiaries as at 31 December 2015. This information is based on the amounts before inter-company elimination.

	Emaar Malls Group PJSC AED'000	*Dubai Hills Estate LLC AED'000*	*Emaar Misr for Development SAE AED'000*	*Renaissance Metn SAL AED'000*	*Emaar Giga Karachi Limited AED'000*	*Emaar Middle East LLC AED'000*
Revenue	**2,992,692**	**824,808**	**2,105,692**	**104,186**	**-**	**245,341**
Profit / (loss) for the year	**1,656,301**	**439,792**	**686,450**	**(10,449)**	**(18,281)**	**22,602**
Total comprehensive income for the year	**1,642,987**	**439,792**	**686,450**	**(10,449)**	**(18,281)**	**22,602**
Attributable to:						
Owners of the parent	**1,390,460**	**219,896**	**643,687**	**(6,792)**	**(13,367)**	**14,539**
Non-controlling interest	**252,527**	**219,896**	**42,763**	**(3,657)**	**(4,914)**	**8,063**

The following table summarises the statement of financial position of these subsidiaries as at 31 December 2014. This information is based on the amounts before inter-company elimination.

	Emaar Malls Group PJSC AED'000	*Dubai Hills Estate LLC AED'000*	*Emaar Misr for Development SAE AED'000*	*Renaissance Metn SAL AED'000*	*Emaar Giga Karachi Limited AED'000*	*Emaar Middle East LLC AED'000*
Total assets	22,557,824	1,385,321	6,568,458	621,198	622,498	2,818,851
Total liabilities	8,757,147	734,747	4,495,551	480,866	717,506	2,802,543
Total equity	13,800,677	650,574	2,072,907	140,332	(95,008)	16,308
Attributable to:						
Owners of the parent	11,678,976	325,287	2,072,907	91,216	(59,897)	(58,431)
Non-controlling interest	2,121,701	325,287	-	49,116	(35,111)	74,739

The following table summarises the income statement of these subsidiaries as at 31 December 2014. This information is based on the amounts before inter-company elimination.

	Emaar Malls Group PJSC AED'000	*Dubai Hills Estate LLC AED'000*	*Emaar Misr for Development SAE AED'000*	*Renaissance Metn SAL AED'000*	*Emaar Giga Karachi Limited AED'000*	*Emaar Middle East LLC AED'000*
Revenue	2,708,293	865,033	1,353,219	230,052	-	89,449
Profit / (loss) for the year	1,350,594	659,782	270,706	21,891	(2,534)	(44,223)
Total comprehensive income for the year	1,382,497	659,782	270,706	21,891	(2,534)	(44,223)
Attributable to:						
Owners of the parent	1,319,145	329,891	270,706	14,229	(1,853)	(25,651)
Non-controlling interest	63,352	329,891	-	7,662	(681)	(18,572)